

1 the following schedule. Amounts set out in brackets are reductions from General Fund
2 appropriations for the 2008-2009 fiscal year.

3		
4	State Agency or Division	FY2008-2009 Adjustments
5		
6	Health and Human Services:	
7	Central Administration	\$(11,980,958)
8	Aging	500,000
9	Child Development	(2,865,501)
10	Smart Start	
11	Education Services	698,940
12	Public Health	2,833,121
13	Social Services	(3,415,302)
14	Medical Assistance	(150,331,041)
15	Child Health	11,883,268
16	Services for the Blind	0
17	Mental Health/DD/SAS	53,287,771
18	Health Services Regulation	(414,464)
19	Vocational Rehabilitation	<u>(2,000,000)</u>
20	Total Health & Human Services	(101,804,166)
21		
22	Natural and Economic Resources:	
23	Agriculture & Consumer Services	4,683,634
24	Commerce	15,830,860
25	Commerce – State Aid to Non-State Entities	42,000,000
26	Environment and Natural Resources	9,733,208
27	Clean Water Management Trust Fund	0
28	Labor	<u>719,493</u>
29	Total Natural and Economic Resources	34,242,695
30		
31	Justice and Public Safety:	
32	Correction	986,696
33	Crime Control & Public Safety	1,392,097
34	Judicial	(2,421,818)
35	Judicial – Indigent Defense	2,800,000
36	Justice	64,483
37	Juvenile Justice	<u>23,197,447</u>
38	Total Justice and Public Safety	75,503,165
39		
40	General Government:	
41	Administration	1,738,062
42	State Auditor	(233,938)
43	Cultural Resources	1,667,867
44	Cultural Resources – Roanoke Island	0

1	General Assembly	(636,000)
2	Governor's Office	(16,916)
3	Insurance	239,040
4	Insurance – Worker's Compensation Fund	0
5	Lieutenant Governor	0
6	Office of Administrative Hearings	313,544
7	Revenue	14,232,025
8	NC Housing Finance	2,500,000
9	Secretary of State	159,950
10	State Board of Elections	237,828
11	State Budget and Management (OSBM)	48,697
12	OSBM – Special Appropriations	1,300,000
13	Office of State Controller	(103,638)
14	State Treasurer	0
15	State Treasurer – Retirement/Benefits	0
16	Total General Government	21,446,521
17		
18	Education:	
19	Public Schools	100,185,195
20	Community Colleges	24,660,195
21	University System	31,258,677
22	Total Education	156,104,067
23		
24	Debt Service:	
25	General Debt Service	(17,500,000)
26	Federal Reimbursement	0
27	Total Debt Service	(17,500,000)
28		
29	Reserves & Adjustments:	
30	Compensation Increase Reserve	594,200,000
31	State Health Plan Reserve	(5,000,000)
32	Pesticide Prevention Reserve	714,110
33	Drought and Energy Efficiency Reserve	3,500,000
34	Job Development Investment Grant Reserve	17,700,000
35	IT Hold Harmless Reserve	1,500,000
36	Geographic Information System Reserve	6,500,000
37	Census 2010 Outreach and Promotion	1,500,000
38	Multipurpose Database Reserve	1,000,000
39		
40	Total Reserves & Adjustments	621,614,110
41		
42	Capital:	
43	Capital Improvements	96,998,826
44		

1 **Total General Fund Budget Changes** **\$740,846,832**

2

3 **GENERAL FUND AVAILABILITY STATEMENT**

4 **SECTION 2.2.(a)** The General Fund availability used in adjusting the
5 2008-2009 budget is shown below:

6

7
8 Description FY 2008-2009
Recommended
(In Millions)

10	Beginning Availability:	
11	Unappropriated Balance FY 2007-2008	269.2
12	Adjusted from Estimated to Actual FY 2007-2008	
13	Beginning Unreserved Balance	47.9
14	Overcollections FY 2007-2008	151.5
15	Reversions FY 2007-2008	150.0
16	Credit to Savings Reserve Account	(61.5)
17	Credit to Repair and Renovations Reserve Account	<u>(65.0)</u>
18	Beginning Unreserved Credit Balance	492.1

19

20 **Revenue:**

21	Tax:	
22	Individual Income	11,394.7
23	Corporate Income	1,202.2
24	Sales and Use	5,410.7
25	Other Tax	2,054.7
26	Total Tax	20,062.3
27	Nontax/Transfers	977.7
28	Total Revenue	21,040.0
29	Total Availability	21,532.1

30

31 **SECTION 2.2.(b)** Notwithstanding G.S. 143C-4-3, the State Controller shall
32 transfer sixty-five million dollars (\$65,000,000) from the unreserved fund balance to the
33 Repairs and Renovations Reserve Account on June 30, 2008. This subsection becomes
34 effective June 30, 2008.

35 **SECTION 2.2.(c)** Notwithstanding G.S. 143C-4-2, the State Controller shall
36 transfer only sixty-one million four hundred ninety thousand two hundred nineteen
37 dollars(\$61,490,219) from the unreserved fund balance to the Savings Reserve Account
38 on June 30, 2008. This subsection becomes effective June 30, 2008.

39 **SECTION 2.2.(d)** Section 2.2.(d) of S.L. 2007-032 is amended to read as
40 follows:

41 Notwithstanding the provisions of G.S. 105-187.9(b)(1), the sum to be
42 transferred under that subdivision for the 2007-2008 fiscal year is one hundred seventy
43 million dollars (\$170,000,000) and for the 2008-2009 fiscal year is ~~one hundred seventy~~
44 ~~million dollars (\$170,000,000)~~ one hundred forty-five million dollars (\$145,000,000).

1 **SECTION 2.2 (f)** Notwithstanding G.S. 143-719, of the funds credited to the
 2 Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2)
 3 of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars
 4 (\$10,000,000) for the 2008-2009 fiscal year shall be transferred from the Department of
 5 Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the
 6 State Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to
 7 support General Fund appropriations for the Farmland Preservation Trust Fund and
 8 agriculture capital items in the 2008-2009 fiscal year.

9 **SECTION 2.2.(g)** Notwithstanding G.S. 147-86.30, of the funds credited to
 10 the Health Trust Account from the Master Settlement Agreement pursuant to Section
 11 6(2) of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars
 12 (\$5,000,000) for the 2008-2009 fiscal year shall be transferred from the Department of
 13 State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State
 14 Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to
 15 support General Fund appropriations for North Carolina Health Net and local obesity
 16 and health promotion programs in the 2008-2009 fiscal year.

17 **SECTION 2.2.(h)** Notwithstanding any other provision of law, the sum of
 18 twenty-one million dollars (\$21,000,000) shall be transferred from the Disaster Relief
 19 Reserve Fund (Budget Code 19930) to the State Controller to be deposited in Nontax
 20 Budget Code 19978 (Intrastate Transfers) to support General Fund appropriations in the
 21 2008-2009 fiscal year.

22
 23 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

24
 25 **CURRENT OPERATIONS/HIGHWAY FUND**

26 **SECTION 3.1.** Revised appropriations from the Highway Fund of the State
 27 for the maintenance and operation of the Department of Transportation, and for other
 28 purposes as enumerated, are made for the 2008-2009 fiscal year, according to the
 29 following schedule. Amounts set out in brackets are reductions from Highway Fund
 30 appropriations for the 2008-2009 fiscal year.

<u>Current Operations – Highway Fund</u>	<u>2008-2009</u>
	<u>Adjustments</u>
35 DOT – General Administration	\$ (9,583,308)
36 Highway Division Administration	0
37 State Match for Federal Aid-Planning and Research	0
38	
39 Construction Program:	
40 State Secondary System	1,807,592
41 State Urban System	0
42 Discretionary Funds	0
43 Spot Safety Improvements	0
44 Small Urban Construction	0

1	Access and Public Services Roads	0
2	Total Construction Program	1,807,592
3		
4	Maintenance Program	
5	Primary System	0
6	Secondary System	0
7	Urban System	0
8	Contract Resurfacing	0
9	General Maintenance Reserve	0
10	System Preservation	28,805,712
11	Total Maintenance Program	28,805,712
12		
13	Ferry Operations	
14	State Aid to Municipalities	1,807,592
15	State Aid to Railroads	0
16	State Aid for Public Transportation	0
17	State Aid for Airports	0
18	Asphalt Plant Cleanup	0
19	Governor's Highway Safety Program	0
20	Division of Motor Vehicles	95,266
21		
22	Total Department of Transportation	\$ 23,032,854
23		
24	Appropriations to Other State Agencies:	
25	Agriculture	0
26	Revenue	0
27	State Treasurer – Sales Tax	0
28	Public Instruction – Driver Education	667,068
29	CCPS – Highway Patrol	0
30	DENR – LUST Trust Fund	(185,000)
31	DHHS – Chemical Test	0
32	Global TransPark	0
33	Total – Other State Agencies	482,068
34		
35	Reserves and Transfers:	
36	Reserve for Compensation Adjustments	2,542,500
37	Reserve for Legislative Increase	20,502,578
38	Total Reserves and Transfers	23,045,078
39		
40	Capital Improvements	0
41		
42	Total Highway Fund Appropriation	<u>\$ 46,560,000</u>
43		
44	HIGHWAY FUND AVAILABILITY STATEMENT	

1 **SECTION 3.2.** The Highway Fund appropriations availability used in
 2 developing modifications to the 2008-2009 Highway Fund budget contained in this act
 3 is shown below:

4		
5	Beginning Credit Balance	\$ 35,000,000
6	Estimated Revenue	1,822,550,000
7	TOTAL HIGHWAY FUND AVAILABILITY	\$1,857,550,000

8

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

10

11 **HIGHWAY TRUST FUND APPROPRIATIONS**

12 **SECTION 4.1.** Appropriations from the Highway Trust Fund are made for
 13 the fiscal year ending June 30, 2009, according to the following schedule. Amounts set
 14 out in brackets are reductions from Highway Trust Fund appropriations for the
 15 2008-2009 fiscal year.

16		
17	Current Operations – Highway Trust Fund	2008-2009
18		Adjustments
19		
20	Department of Transportation:	
21	Maximum Allowance for Administration	\$ 3,627,360
22		
23	Construction Allocation:	
24	Intrastate System	(40,691,948)
25	Urban Loop System	(16,454,129)
26	Secondary Roads	(7,687,956)
27	Other Authorized Purposes	25,000,000
28		
29	State Aid to Municipalities	(4,269,534)
30		
31	Transfer to the General Fund (1)	(25,143,793)
32		
33	Total Highway Trust Fund Appropriation	<u>\$ (65,620,000)</u>

34

35 **PART V. BLOCK GRANTS**

36

37 **NER BLOCK GRANTS**

38 **SECTION 11.5.(a)** Appropriations from federal block grant funds are made
 39 for the fiscal year ending June 30, 2009, according to the following schedule:

40

41 **COMMUNITY DEVELOPMENT BLOCK GRANT**

42		
43	01. State Administration	\$ 1,000,000
44		

1	02. Urgent Needs and Contingency	1,000,000
2		
3	03. Scattered Site Housing	13,200,000
4		
5	04. Economic Development	8,710,000
6		
7	05. Small Business/Entrepreneurship	1,000,000
8		
9	06. Community Revitalization	13,000,000
10		
11	07. State Technical Assistance	450,000
12		
13	08. Housing Development	1,500,000
14		
15	09. Infrastructure	5,140,000
16		
17	TOTAL COMMUNITY DEVELOPMENT	
18	BLOCK GRANT – 2009 Program Year	\$ 45,000,000
19		

20 **SECTION 11.5.(b)** Decreases in Federal Fund Availability. – If federal
21 funds are reduced below the amounts specified above after the effective date of this act,
22 then every program in each of these federal block grants shall be reduced by the same
23 percentage as the reduction in federal funds.

24 **SECTION 11.5.(c)** Increases in Federal Fund Availability for Community
25 Development Block Grant. – Any block grant funds appropriated by the Congress of the
26 United States in addition to the funds specified in this section shall be expended as
27 follows: each program category under the Community Development Block Grant shall
28 be increased by the same percentage as the increase in federal funds.

29 **SECTION 11.5.(d)** Limitations on Community Development Block Grant
30 Funds. – Of the funds appropriated in this section for the Community Development
31 Block Grant, the following shall be allocated in each category for each program year: up
32 to one million dollars (\$1,000,000) may be used for State Administration; not less than
33 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
34 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
35 Site Housing; eight million seven hundred ten thousand dollars (\$8,710,000) may be
36 used for Economic Development; up to one million dollars (\$1,000,000) may be used
37 for Small Business/Entrepreneurship; not less than thirteen million dollars
38 (\$13,000,000) shall be used for Community Revitalization; up to four hundred fifty
39 thousand dollars (\$450,000) may be used for State Technical Assistance; up to one
40 million five hundred dollars (\$1,500,000) may be used for Housing Development; up to
41 five million one hundred forty thousand dollars (\$5,140,000) may be used for
42 Infrastructure. If federal block grant funds are reduced or increased by the Congress of
43 the United States after the effective date of this act, then these reductions or increases
44 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

1 **SECTION 11.5.(e)** Increase Capacity for Nonprofit Organizations. –
2 Assistance to nonprofit organizations to increase their capacity to carry out
3 CDBG-eligible activities in partnership with units of local government is an eligible
4 activity under any program category in accordance with federal regulations. Capacity
5 building grants may be made from funds available within program categories, program
6 income, or unobligated funds.

7 ~~**SECTION XX.(f)** Department of Commerce will operate a small
8 business/entrepreneurship program in coordination with micro-lending programs and
9 other small business assistance groups in the state. The Department of Commerce shall
10 award up to one million dollars (\$1,000,000) in grants to local governments to provide
11 assistance to low-to-moderate income individuals for small business and
12 entrepreneurship development as a means of achieving economic independence during
13 these times of structural change in North Carolina's economy.~~

14 **SECTION 11.5.(g)(f)** The Department of Commerce shall consult with the
15 Joint Legislative Commission on Governmental Operations prior to reallocating
16 Community Development Block Grant Funds. Notwithstanding the provisions of this
17 subsection, whenever the Director of the Budget finds that:

- 18 (1) A reallocation is required because of an emergency that poses an
19 imminent threat to public health or public safety, the Director of the
20 Budget may authorize the reallocation without consulting the
21 Commission. The Department of Commerce shall report to the
22 Commission on the reallocation no later than 30 days after it was
23 authorized and shall identify in the report the emergency, the type of
24 action taken, and how it was related to the emergency.
- 25 (2) The State will lose federal block grant funds or receive less federal
26 block grant funds in the next fiscal year unless a reallocation is made,
27 the Department of Commerce shall provide a written report to the
28 Commission on the proposed reallocation and shall identify the reason
29 that failure to take action will result in the loss of federal funds. If the
30 Commission does not hear the issue within 30 days of receipt of the
31 report, the Department may take the action without consulting the
32 Commission.

33 34 **PART VI. GENERAL PROVISIONS**

35 36 **CHANGES TO STATE BUDGET ACT**

37 **SECTION 6.1.(a)** Article 6 of Chapter 143C of the General Statutes reads as
38 rewritten:

39 **"§ 143C-6-4. Budget adjustments authorized.**

40 (a) Findings. – The General Assembly recognizes that even the most thorough
41 budget deliberations may be affected by unforeseeable events. Under limited
42 circumstances set forth in this section, the Director may adjust the enacted budget by
43 making transfers among lines of expenditure, purposes, or programs or by increasing
44 expenditures funded by departmental receipts. Under no circumstances, however, shall

1 total General Fund expenditures for a State department exceed the amount appropriated
2 to that department from the General Fund for the fiscal year.

3 (b) Adjustments to the Certified Budget. – Notwithstanding the provisions of
4 G.S. 143C-6-1, a State agency may, with approval of the Director of the Budget, spend
5 more than was authorized in the certified budget for all of the following:

6 (1) An object or line item within a purpose or program so long as the total
7 amount expended for the purpose or program is no more than was
8 authorized in the certified budget for the purpose or program.

9 (2) A purpose or program if the overexpenditure of the purpose or
10 program is:

11 a. Required by a court or Industrial Commission order;

12 b. Authorized under G.S. 166A-5(1)a.9. of the Emergency
13 Management Act; or

14 c. Required to call out the national guard.

15 (3) A purpose or program not subject to the provisions of subdivision
16 (b)(2) of this subsection, but only in accord with the following
17 restrictions: (i) the overexpenditure is required to continue the purpose
18 or programs due to complications or changes in circumstances that
19 could not have been foreseen when the budget for the fiscal period was
20 enacted, (ii) the scope of the purpose or program is not increased, (iii)
21 the overexpenditure is authorized on a nonrecurring basis, except when
22 required to establish a permanent position or to address salary reserve
23 purposes, and (iv) under no circumstances shall the total requirements
24 for a State department exceed the department's certified budget for the
25 fiscal year by more than ~~three percent (3%)~~ seven and one-half percent
26 (7.5%) for a department with a certified budget totaling twenty million
27 dollars (\$20,000,000) or less, or three percent (3%) or one million five
28 hundred thousand dollars (\$1,500,000) (whichever is greater) without
29 prior consultation with the Joint Legislative Commission on
30 Governmental Operations.

31 (c) Overexpenditures Reported. – The Director shall report quarterly, beginning
32 October 31, to the Joint Legislative Commission on Governmental Operations on
33 overexpenditures approved by the Director under subdivisions (2) and (3) of subsection
34 (b) of this section.

35 (d) Overexpenditures in Senate Budget. – The President Pro Tempore of the
36 Senate may approve expenditures for more than was authorized in the enacted budget
37 for objects or line items in the budget of the Senate.

38 (e) Overexpenditures in House of Representatives Budget. – The Speaker of the
39 House of Representatives may approve expenditures for more than was authorized in
40 the enacted budget objects or line items in the budget of the House of Representatives.

41 (f) Transfers Between Line Items or Programs in General Assembly Budget
42 Other Than Senate and House of Representatives. – Expenditures exceeding amounts
43 authorized for programs, objects, or line items in the budget of the General Assembly
44 other than those of the Senate and House of Representatives shall be approved jointly by

1 the President Pro Tempore of the Senate and the Speaker of the House of
2 Representatives.

3 (g) Transfers in The University of North Carolina Budget. – Transfers or changes
4 within the budget of The University of North Carolina may be made as provided in
5 Article 1 of Chapter 116 of the General Statutes.

6 (h) Transfers Within the Office of the Governor. – Transfers or changes as
7 between objects or line items in the budget of the Office of the Governor may be made
8 by the Governor."

9 **SECTION 6.1.(b)** Article 6 of Chapter 143C of the General Statutes reads as
10 rewritten:

11 "**§ 143C-4-3. Repairs and Renovations Reserve Account.**

12 (a) Creation and Source of Funds. – The Repairs and Renovations Reserve
13 Account is established as a reserve in the General Fund. The State Controller shall
14 reserve to the Repairs and Renovations Reserve Account one-fourth of any unreserved
15 fund balance, as determined on a cash basis, remaining in the General Fund at the end of
16 each fiscal year.

17 (b) Use of Funds. – The funds in the Repairs and Renovations Reserve Account
18 shall be used ~~only~~ for the repair and renovation of State facilities and related
19 infrastructure that are supported from the General Fund. The Board of Governors or the
20 Office of State Budget and Management may allocate funds for the repair and
21 renovation of facilities not supported from the General Fund if it is determined that
22 sufficient funds are not available from other sources and that conditions warrant General
23 Fund assistance. Any such finding shall be included in the submissions to the Joint
24 Legislative Commission on Governmental Operations on the proposed allocations of
25 funds. Funds from the Repairs and Renovations Reserve Account shall be used only for
26 the following types of projects:

- 27 (1) Roof repairs and replacements;
- 28 (2) Structural repairs;
- 29 (3) Repairs and renovations to meet federal and State standards;
- 30 (4) Repairs to electrical, plumbing, and heating, ventilating, and
31 air-conditioning systems;
- 32 (5) Improvements to meet the requirements of the Americans with
33 Disabilities Act, 42 U.S.C. § 12101, et seq., as amended;
- 34 (6) Improvements to meet fire safety needs;
- 35 (7) Improvements to existing facilities for energy efficiency;
- 36 (8) Improvements to remove asbestos, lead paint, and other contaminants,
37 including the removal and replacement of underground storage tanks;
- 38 (9) Improvements and renovations to improve use of existing space;
- 39 (10) Historical restoration;
- 40 (11) Improvements to roads, walks, drives, utilities infrastructure; and
- 41 (12) Drainage and landscape improvements.

42 Funds from the Repairs and Renovations Reserve Account shall not be used for new
43 construction or the expansion of the building area (sq. ft.) of an existing facility unless
44 required in order to comply with federal or State codes or standards.

1 (c) Use of Funds. – Funds Available Only Upon Appropriation. – Funds reserved
2 to the Repairs and Renovations Reserve Account shall be available for expenditure only
3 upon an act of appropriation by the General Assembly."

4 **SECTION 6.1.(c)** Article 6 of Chapter 143C of the General Statutes reads as
5 rewritten:

6 "**§ 143C-8-12. University system capital improvement projects from sources that**
7 **are not General Fund sources: approval of new project or change in**
8 **scope of existing project.**

9 Notwithstanding any other provision of this Chapter, the Director of the Budget
10 may, upon request of the Board of Governors of The University of North Carolina and
11 after consultation with the Joint Legislative Commission on Governmental Operations,
12 approve: ~~(i) expenditures to plan a capital improvement project of The University of~~
13 ~~North Carolina the planning for which is to be funded entirely with non-General Fund~~
14 ~~money, (ii) (i) expenditures for a capital improvement project of The University of~~
15 North Carolina that is to be funded entirely with non-General Fund money, or ~~(iii) (ii) a~~
16 change in the scope of any previously approved capital improvement project of The
17 University of North Carolina provided that both the project and change in scope are
18 funded entirely with non-General Fund money."

19 **SECTION 6.1.(d)** Article 6 of Chapter 143C of the General Statutes reads as
20 rewritten:

21 "**§ 143C-8-13. State agency capital improvement projects from sources that are**
22 **not General Fund sources: approval of new project or change in scope of**
23 **existing project.**

24 Notwithstanding any other provision of this Chapter, the Director of the Budget
25 may, upon request of a state agency and after consultation with the Joint Legislative
26 Commission on Governmental Operations, approve: (i) expenditures for a capital
27 improvement project that is to be funded entirely with non-General Fund money, or (ii)
28 a change in the scope of any previously approved capital improvement project provided
29 that both the project and change in scope are funded entirely with non-General Fund
30 money."

31 **SECTION 6.1.(e)** Article 13 of the General Statutes reads as rewritten:

32 "**§ 120-76.1. Prior consultation with the Commission.**

33 (a) Notwithstanding the provisions of G.S. 120-76(8) or any other provision of
34 law requiring prior consultation by the Governor with the Commission, whenever an
35 expenditure is required because of an emergency that poses an imminent threat to public
36 health or public safety, and is either the result of a natural event, such as a hurricane or a
37 flood, or an accident, such as an explosion or a wreck, the Governor may take action
38 without consulting the Commission if the action is determined by the Governor to be
39 related to the emergency. The Governor shall report to the Commission on any
40 expenditures made under this subsection no later than 30 days after making the
41 expenditure and shall identify in the report the emergency, the type of action taken, and
42 how it was related to the emergency.

43 (b) Any agency, board, commission, or other entity required under
44 G.S. 120-76(8) or any other provision of law to consult with the Commission prior to

1 taking an action shall submit a detailed report of the action under consideration to the
 2 Chairs of the Commission, the Commission Assistant, and the Fiscal Research Division
 3 of the General Assembly. If the Commission does not hold a meeting to hear the
 4 consultation within 90 days of receiving the submission of the detailed report, the
 5 consultation requirement is satisfied. With regard to capital improvement projects of
 6 ~~The University of North Carolina~~, if the Commission does not hold a meeting to hear
 7 the consultation within 30 days of receiving the submission of the detailed report, the
 8 consultation requirement of G.S. 120-76(8)e. is satisfied.

9 (c) Consultations regarding the establishment of new fees and charges and the
 10 increase of existing fees and charges are governed by G.S. 12-3.1, and this section does
 11 not apply to those consultations."

12 **SECTION 6.1.(f)** Article 6 of Chapter 143C of the General Statutes reads as
 13 rewritten:

14 **"§ 143C-8-7.1. Land acquisitions.**

15 At the request of a State agency, the Director of the Budget may authorize land
 16 acquisitions if the transaction is entirely funded from non-General Fund sources."

17
 18 **FEDERAL AND OTHER RECEIPTS**

19 **SECTION 6.2.(a)** The Governor's recommended budget for FY 2008-2009
 20 includes all expected expenditures and anticipated receipts that were known at the time
 21 the budget was prepared. Applications for grants whose funding status was unknown
 22 during budget preparation are not included in the budget. A list of grants that was
 23 applied for but is not included in the Governor's recommended budget for FY
 24 2008-2009 due to the timing of the award or whose outcome is still pending follows in
 25 subsection (c) of this section.

26 **SECTION 6.2.(b)** Notwithstanding G.S. 143C-6-4, a State agency may, with
 27 approval of the Director of the Budget, spend funds received from the grant applications
 28 listed in subsection (c) of this section. The dollar amounts listed represent the total
 29 amount of funds applied for and anticipated over the course of the grant period. If
 30 awarded, the Office of State Budget and Management shall work with the recipient
 31 State agencies to budget the grant award according to the annual program needs and
 32 within the parameters of the granting entity. Depending on the nature of the award,
 33 additional State personnel may be employed on a permanent or time-limited basis.

34 **SECTION 6.3.(c)** Funds received from the grants listed below are hereby
 35 appropriated and shall be incorporated into the certified budget of the recipient State
 36 agency.

Recipient State Agency	Grant Amount
39 Department of Environment and Natural Resources	
40 Clear Skies	\$ 300,000
41 Keep Our Waters Clean	200,000
42	
43 Department of Health and Human Services	
44 Money Follows the Person	1,000,000

1		
2	Department of Correction	
3	Prisoner Reentry Post-Release Services	130,434
4		
5	Department of Transportation	
6	2008 REAL ID Demonstration Program	1,799,000
7		
8	Administrative Office of the Courts	
9	Sharks vs. Jets	104,847
10	Traffic Court Legal Assistant	42,653
11	Bilingual Legal Assistant	51,543
12	Clerk of Superior Court Leadership Training	99,989
13	Adult Drug Treatment Court	70,756
14	SAVAN	310,697
15	DWI Court – Watauga	75,737
16	Safe Havens Supervised Visitation Center	143,665
17	Rockingham County Sexual Assault Victim Advocate	30,001
18	Pitt County Drug Prosecutor	68,300
19	Getting the Whole Picture	29,375
20	Guardian Ad Litem Volunteer Training Conference	116,237
21	Federal Drug Liaison Prosecutor	65,514
22	Family Violence Justice Project	106,358
23	DWI Prosecutor – Wake	57,305
24	DWI Legal Assistant – Buncombe	48,970
25		
26	Public Schools	
27	The Power of K: Quality Kindergarten for the 21st Century	133,190
28	AP Test Fee Program	14,365
29	Chinese Foreign Language Assistance	5,209
30	Foreign Language Assistance	52,516
31	English Language Acquisition	2,475,639
32	JAVITS Gifted and Talented	95
33	Math and Science Partnerships Grant	404,666
34	IDEA VI B Handicapped	15,230,466
35	Education for Homeless Children and Youth	241,163
36	School Improvement Grant	12,921,759
37	Safe and Drug-Free Schools and Communities	362,797
38	21st Century Community Learning Centers-After School	2,593,251
39	Improve Teacher Quality State Grant	1,803,529
40	Healthy Schools/HIV	792,035
41	Troops to Teachers	191,103
42	Child Nutrition Grant	3,166,077
43	Child Nutrition Food Services	347,000,000
44	Fresh Fruits and Vegetable Program	1,137,757

1	Ed Tech State Grant	6,759,383
2	NC CEDARS	1,816,055
3	Rural and Low-Income Schools	80,706
4	State Assessment and Related Activities	302,700
5	Even Start Educational Agencies	1,596,400
6	Title I to LEAs	33,181,783
7	Migrant Education Basic State Grant	18,858
8	AT&T Foundation	50,000
9		
10	Community Colleges System Office	
11	Golden LEAF Scholars Program – 2-Year Colleges	500,000
12	Career Start Grant	21,950
13		
14	Environment and Natural Resources	
15	Boating Infrastructure Grant	200,000
16	Multistate Geospatial Content Transfer	280,000
17	Wetland Permit Tracking System Expansion Grant	150,427
18	Model for Implementing the Standard for the National Grid	25,000
19	NC National Estuarine Masonboro Island Acquisition	104,150
20	North Carolina Conservation and Transportation Planning	100,000
21	Measurement and Assessment of Marsh Ecosystems	20,000
22		
23	Agriculture	
24	EUREPGAP Certification Project	60,000
25	NC Commodity Asian Export Promotion	21,000
26		
27	Commerce	
28	Workforce Innovation in Regional Economic Development	2,447,500
29	WIA Youth Formula Grants	19,061,803
30	BRAC Military Spouse L.A.	5,000,000
31		
32	Labor	
33	Assets for Independence	287,500
34		
35	Insurance	
36	State Health Insurance Assistance Program	1,044,791
37	Senior Medicare Patrol Program	180,000
38	State Health Insurance Assistance Program	180,045
39	Smoke Alarm and Residential Sprinkler Initiative	134,500
40	Governor's Highway Safety Program	717,000
41	Volunteer Fire Department Fund	5,100,000
42	Volunteer Rescue/EMS Fund	1,019,000
43	NC Association of Insurance Agents, Inc., Surplus Funds	25,000
44	NC Association of Insurance Agents, Inc., Surplus Funds	21,000

1	NC Independent Insurance Agents	112,019
2	Fire Prevention Week Materials	40,000
3	Fire and Rescue – Emergency Response	15,500
4	Hazardous Materials Emergency Preparedness	85,000
5	Rescue Squad Workers' Relief Grant	6,300,000
6		
7	Board of Elections	
8	Elections Assistance for Individuals with Disabilities	318,521
9		
10	Administration	
11	State Energy Program Plan	750,000
12	Priority State Wind Energy Outreach Strategy	75,000
13	Native American Employment and Training	274,675
14		
15	Department of Health and Human Services	
16		
17	Office of Secretary	
18	Real Choice Systems Grants	172,944
19		
20	Division of Aging and Adult Services	
21	Seniors Farmers Market Nutrition Program	43,495
22	Advanced Performance Outcome Measures Project	100,000
23	Empowering Older Adults to Take More Control of Their	
24	Health "Chronic Disease Mgmt Grant"	213,615
25		
26	Division of Child Development	
27	Child Care State Research Capacity Cooperative Agreements	246,274
28		
29	Division of Public Health	
30	State/Tribal Suicide Prevention Grants	500,000
31	Innovative Approaches to a Healthy Weight & Mental	
32	Wellness in Women	143,750
33	WIC State Agency Model (SAM) Project	14,400,000
34	Opportunity Grants for Healthy Aging	25,000
35	Early Diagnosis Grant	1,000,000
36		
37	Division of Social Services	
38	Targeted Assistance Formula Grant	712,724
39	Refugee School Impact	218,750
40	Recently Arrived Refugees	493,561
41	Child Support – Court Partnership for Parental Education	65,968
42	Child Support – Community Outreach	79,824
43		
44	Division of Mental Health, Developmental Disabilities, and Substance	

1	Abuse Services	
2	Screening, Brief Intervention, Referral, and Treatment	2,520,000
3	Jail Diversion and Trauma Recovery Program	
4	Priority to Veterans	412,498
5		
6	Division of Health Services Regulation	
7	EMS Performance Improvement Toolkits	1,600,000
8		

9 APPROPRIATION OF CASH BALANCES AND RECEIPTS

10 SECTION 6.3. Section 6.1 of S.L. 2007-323 reads as rewritten:

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

15 (1) For all budget codes listed in "North Carolina State Budget,
16 Recommended Operating Budget 2007-2009, Volumes 1 through 6,"
17 cash balances and receipts are appropriated up to the amounts
18 specified in Volumes 1 through 6, as adjusted by the General
19 Assembly, for the 2007-2008 fiscal year and the 2008-2009 fiscal year.
20 Adjustments to the second year of the biennial budget are appropriated
21 up to the amounts recommended by the Governor in the "North
22 Carolina State Budget, Recommended Adjustments FY 2008-2009"
23 and supplemental budget documents for FY 2008-2009, as adjusted by
24 the General Assembly. Funds may be expended only for the programs,
25 purposes, objects, and line items specified in ~~Volumes 1 through 6,~~
26 therein, or otherwise authorized by the General Assembly.

27 (2) For all budget codes that are not listed in "North Carolina State
28 Budget, Recommended Operating Budget 2007-2009, Volumes 1
29 through 6," cash balances and receipts are appropriated for each year
30 of the 2007-2009 fiscal biennium up to the level of actual expenditures
31 for the 2006-2007 fiscal year, unless otherwise provided by ~~law.~~ Law
32 or as specified in the "North Carolina State Budget, Recommended
33 Adjustments 2008-2009" and supplemental budget documents for
34 2008-2009 submitted by the Governor, as adjusted by the General
35 Assembly. Funds may be expended only for the programs, purposes,
36 objects, and line items authorized for ~~the 2006-2007 fiscal~~
37 ~~year~~ therein. In an extraordinary event that there were no actual
38 expenditures in FY 2006-2007 or no budget recommended in the
39 Governor's FY 2008-2009 supplemental budget documents and it is
40 necessary to expend funds in FY 2008-2009, cash balances and
41 receipts are appropriated up the amounts necessary to operate in the
42 FY 2008-2009 fiscal year. In this event, the state agency shall seek
43 approval from the Office of State Budget and Management to establish

1 an authorized budget prior to any expenditure of funds authorized in
2 this subsection.

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

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

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

18 "**SECTION 6.1.(b)** Receipts collected in a fiscal year in excess of the amounts
19 authorized by this section shall remain unexpended and unencumbered until
20 appropriated by the General Assembly in a subsequent fiscal year, unless the
21 expenditure of overrealized receipts in the fiscal year in which the receipts were
22 collected is authorized by the State Budget Act.

23 Overrealized receipts are appropriated up to the amounts necessary to implement
24 this subsection.

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

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

36 37 **BUDGET CODE CONSOLIDATIONS**

38 **SECTION 6.4.** Notwithstanding G.S. 143C-6-4, the Office of State Budget
39 and Management may adjust the enacted budget by making transfers among purposes or
40 programs for the purpose of consolidating budget and fund codes or eliminating inactive
41 budget and funds codes. The Office of State Budget and Management shall change the
42 authorized budget to reflect these adjustments.

CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND APPROPRIATION

SECTION 6.5.(a) Section 5.1(a) of S.L. 2007-323 reads as rewritten:

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

	FY 2007-2008	FY 2007-2008	FY 2008-2009
Department of Revenue	\$63,000,000	\$63,000,000	\$84,000,000
Department of Transportation	\$15,000,000	\$15,000,000	\$21,000,000
Employment Security Commission	\$ 3,000,000	\$3,000,000	\$4,000,000
Department of Insurance	\$ 1,000,000	\$1,000,000	\$500,000
University of North Carolina	\$ 3,500,000	\$3,500,000	\$3,000,000
Other Agencies	\$10,000,000		\$10,000,000
Total Funds Available	\$95,500,000	\$95,500,000	\$122,500,000

SECTION 5.2.(b) Section 5.2(b) of S.L. 2007-323 reads as rewritten:

"**SECTION 5.2.(b)** Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal ~~biennium~~-year ending June 30, 2009, as follows:

	FY 2007-2008	FY 2007-2008	FY 2008-2009
School Technology Fund	\$18,000,000		\$18,000,000
State Public School Fund	\$77,500,000	\$77,500,000	\$104,500,000
Total Appropriation	\$95,500,000	\$95,500,000	\$122,500,000"

EDUCATION LOTTERY

SECTION 6.6.(a) Pursuant to G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of four hundred three million dollars (\$403,000,000) for the FY 2008-2009 fiscal year.

SECTION 6.6.(b) The appropriations made from the Education Lottery Fund pursuant to G.S. 18C-164(d) for the FY 2008-2009 fiscal year are as follows:

(1) Class Size Reduction	\$116,864,291
(2) Prekindergarten Program	84,635,709
(3) Public School Building Capital Fund	161,200,000
(4) Scholarships for Needy Students	40,300,000
Total	\$403,000,000

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1.(a) Effective for the 2008-2009 school year, the Director of the Budget shall transfer from the Reserve for Compensation Increases funds necessary to implement the teacher salary schedules set out in subsection (b) of this section and for longevity in accordance with subsection (d) of this section, including funds for the employer's retirement and social security contributions for all teachers whose salaries

1 are supported from the State's General Fund. These funds shall be allocated to
2 individuals according to rules adopted by the State Board of Education.

3 **SECTION 7.1.(b)** The following monthly salary schedules shall apply for
4 the 2008-2009 fiscal year to certified personnel of the public schools who are classified
5 as teachers. The schedule contains 29 steps with each step corresponding to one year of
6 teaching experience.

7 2008-2009 Monthly Salary Schedule "A" Teachers

8	Years of Experience	"A" Teachers	NBPTS Certification
9	0-2	\$3,261	N/A
10	3-4	\$3,557	\$3,984
11	5	\$3,691	\$4,134
12	6	\$3,820	\$4,278
13	7	\$3,924	\$4,395
14	8	\$3,972	\$4,449
15	9	\$4,021	\$4,504
16	10	\$4,071	\$4,560
17	11	\$4,120	\$4,614
18	12	\$4,171	\$4,672
19	13	\$4,222	\$4,729
20	14	\$4,275	\$4,788
21	15	\$4,329	\$4,848
22	16	\$4,384	\$4,910
23	17	\$4,439	\$4,972
24	18	\$4,498	\$5,038
25	19	\$4,556	\$5,103
26	20	\$4,614	\$5,168
27	21	\$4,676	\$5,237
28	22	\$4,737	\$5,305
29	23	\$4,803	\$5,379
30	24	\$4,867	\$5,451
31	25	\$4,932	\$5,524
32	26	\$4,998	\$5,598
33	27	\$5,066	\$5,674
34	28	\$5,137	\$5,753
35	29	\$5,208	\$5,833
36	30	\$5,306	\$5,943
37	31+	\$5,408	\$6,057

38
39 2008-2009 Monthly Salary Schedule "M" Teachers

40	Years of Experience	"M" Teachers	NBPTS Certification
41	0-2	\$3,587	N/A
42	3-4	\$3,913	\$4,383
43	5	\$4,060	\$4,547
44	6	\$4,202	\$4,706

1	7	\$4,316	\$4,834
2	8	\$4,369	\$4,893
3	9	\$4,423	\$4,954
4	10	\$4,478	\$5,015
5	11	\$4,532	\$5,076
6	12	\$4,588	\$5,139
7	13	\$4,644	\$5,201
8	14	\$4,703	\$5,267
9	15	\$4,762	\$5,333
10	16	\$4,822	\$5,401
11	17	\$4,883	\$5,469
12	18	\$4,948	\$5,542
13	19	\$5,012	\$5,613
14	20	\$5,075	\$5,684
15	21	\$5,144	\$5,761
16	22	\$5,211	\$5,836
17	23	\$5,283	\$5,917
18	24	\$5,354	\$5,996
19	25	\$5,425	\$6,076
20	26	\$5,498	\$6,158
21	27	\$5,573	\$6,242
22	28	\$5,651	\$6,329
23	29	\$5,729	\$6,416
24	30	\$5,837	\$6,537
25	31+	\$5,949	\$6,663

26

27 **SECTION 7.1.(c)** Annual longevity payments for teachers shall be at the
28 rate of one and one-half percent (1.5%) of base salary for 10 to 14 years of State
29 service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19
30 years of State service, three and twenty-five hundredths percent (3.25%) of base salary
31 for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary
32 for 25 or more years of State service. The longevity payment shall be paid in a lump
33 sum once a year.

34 **SECTION 7.1.(d)** Certified public school teachers with certification based
35 on academic preparation at the six-year degree level shall receive a salary supplement of
36 one hundred twenty-six dollars (\$126.00) per month in addition to the compensation
37 provided for certified personnel of the public schools who are classified as "M"
38 teachers. Certified public schoolteachers with certification based on academic
39 preparation at the doctoral degree level shall receive a salary supplement of two
40 hundred fifty-three dollars (\$253.00) per month in addition to the compensation
41 provided for certified personnel of the public schools who are classified as "M"
42 teachers.

43 **SECTION 7.1.(e)** The first step of the salary schedule for school
44 psychologists shall be equivalent to Step 5, corresponding to five years of experience,

1 on the salary schedule established in this section for certified personnel of the public
 2 schools who are classified as "M" teachers. Certified psychologists shall be placed on
 3 the salary schedule at an appropriate step based on their years of experience. Certified
 4 psychologists shall receive longevity payments based on years of State service in the
 5 same manner as teachers.

6 Certified psychologists with certification based on academic preparation at
 7 the six-year degree level shall receive a salary supplement of one hundred twenty-six
 8 dollars (\$126.00) per month in addition to the compensation provided for certified
 9 psychologists. Certified psychologists with certification based on academic preparation
 10 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
 11 dollars (\$253.00) per month in addition to the compensation provided for certified
 12 psychologists.

13 **SECTION 7.1.(f)** Speech pathologists who are certified as speech
 14 pathologists at the master's degree level and audiologists who are certified as
 15 audiologists at the master's degree level and who are employed in the public schools as
 16 speech and language specialists and audiologists shall be paid on the school
 17 psychologist salary schedule.

18 Speech pathologists and audiologists with certification based on academic
 19 preparation at the six-year degree level shall receive a salary supplement of one hundred
 20 twenty-six dollars (\$126.00) per month in addition to the compensation provided for
 21 speech pathologists and audiologists. Speech pathologists and audiologists with
 22 certification based on academic preparation at the doctoral degree level shall receive a
 23 salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to
 24 the compensation provided for speech pathologists and audiologists.

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

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

29
 30 **SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE**

31 **SECTION 7.2.(a)** Effective for the 2008-2009 school year, the Director of
 32 the Budget shall transfer from the Reserve for Compensation Increases funds necessary
 33 to implement the salary schedules for school-based administrators as provided in this
 34 section. These funds shall be used for State-paid employees only.

35 **SECTION 7.2.(b)** The base salary schedule for school-based administrators
 36 shall apply only to principals and assistant principals. The base salary schedule for the
 37 2008-2009 fiscal year, commencing July 1, 2008, is as follows:

38
 39 2008-2009 Principal and Assistant Principal Salary Schedules
 40 Classification

41 Years of Exp	Assistant 42 Principal	Prin I 43 (0-10)	Prin II 44 (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	\$3,952				
5	\$4,101				

1	6	\$4,244				
2	7	\$4,359				
3	8	\$4,413	\$4,413			
4	9	\$4,467	\$4,467			
5	10	\$4,523	\$4,523	\$4,577		
6	11	\$4,577	\$4,577	\$4,634		
7	12	\$4,634	\$4,634	\$4,690	\$4,750	
8	13	\$4,690	\$4,690	\$4,750	\$4,810	\$4,870
9	14	\$4,750	\$4,750	\$4,810	\$4,870	\$4,932
10	15	\$4,810	\$4,810	\$4,870	\$4,932	\$4,997
11	16	\$4,870	\$4,870	\$4,932	\$4,997	\$5,062
12	17	\$4,932	\$4,932	\$4,997	\$5,062	\$5,126
13	18	\$4,997	\$4,997	\$5,062	\$5,126	\$5,195
14	19	\$5,062	\$5,062	\$5,126	\$5,195	\$5,263
15	20	\$5,126	\$5,126	\$5,195	\$5,263	\$5,336
16	21	\$5,195	\$5,195	\$5,263	\$5,336	\$5,408
17	22	\$5,263	\$5,263	\$5,336	\$5,408	\$5,479
18	23	\$5,336	\$5,336	\$5,408	\$5,479	\$5,553
19	24	\$5,408	\$5,408	\$5,479	\$5,553	\$5,629
20	25	\$5,479	\$5,479	\$5,553	\$5,629	\$5,708
21	26	\$5,553	\$5,553	\$5,629	\$5,708	\$5,786
22	27	\$5,629	\$5,629	\$5,708	\$5,786	\$5,895
23	28	\$5,708	\$5,708	\$5,786	\$5,895	\$6,008
24	29	\$5,786	\$5,786	\$5,895	\$6,008	\$6,128
25	30	\$5,895	\$5,895	\$6,008	\$6,128	\$6,251
26	31	\$6,008	\$6,008	\$6,128	\$6,251	\$6,376
27	32		\$6,128	\$6,251	\$6,376	\$6,504
28	33			\$6,376	\$6,504	\$6,634
29	34			\$6,504	\$6,634	\$6,767
30	35				\$6,767	\$6,902
31	36				\$6,902	\$7,040
32	37					\$7,181

2008-2009 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (100+)
0-14	\$4,997			
15	\$5,062			
16	\$5,126	\$5,195		
17	\$5,195	\$5,263	\$5,408	
18	\$5,263	\$5,336	\$5,479	\$5,553
19	\$5,336	\$5,408	\$5,553	\$5,629
20	\$5,408	\$5,479	\$5,629	\$5,708

1	21	\$5,479	\$5,553	\$5,708	\$5,786
2	22	\$5,553	\$5,629	\$5,786	\$5,895
3	23	\$5,629	\$5,708	\$5,895	\$6,008
4	24	\$5,708	\$5,786	\$6,008	\$6,128
5	25	\$5,786	\$5,895	\$6,128	\$6,251
6	26	\$5,895	\$6,008	\$6,251	\$6,376
7	27	\$6,008	\$6,128	\$6,376	\$6,504
8	28	\$6,128	\$6,251	\$6,504	\$6,634
9	29	\$6,251	\$6,376	\$6,634	\$6,767
10	30	\$6,376	\$6,504	\$6,767	\$6,902
11	31	\$6,504	\$6,634	\$6,902	\$7,040
12	32	\$6,634	\$6,767	\$7,040	\$7,181
13	33	\$6,767	\$6,902	\$7,181	\$7,325
14	34	\$6,902	\$7,040	\$7,325	\$7,472
15	35	\$7,040	\$7,181	\$7,472	\$7,621
16	36	\$7,181	\$7,325	\$7,621	\$7,773
17	37	\$7,325	\$7,472	\$7,773	\$7,928
18	38	\$7,472	\$7,621	\$7,928	\$8,087
19	39		\$7,773	\$8,087	\$8,249
20	40		\$7,928	\$8,249	\$8,414
21	41			\$8,414	\$8,582

22

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

27

Classification	Number of Teachers Supervised
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

37

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

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

1 **SECTION 7.2.(d)** A principal shall be placed on the step on the salary
2 schedule that reflects total number of years of experience as a certificated employee of
3 the public schools and an additional step for every three years of experience as a
4 principal. A principal or assistant principal shall also continue to receive any additional
5 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000
6 school years for improvement in student performance or maintaining a safe and orderly
7 school.

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

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

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

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

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

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

40 **SECTION 7.2.(i)** During the 2008-2009 fiscal year, the placement on the
41 salary schedule of an administrator with a one-year provisional assistant principal's
42 certificate shall be at the entry-level salary for an assistant principal or the appropriate
43 step on the teacher salary schedule, whichever is higher.

44

CENTRAL OFFICE SALARIES

SECTION 7.3.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2008-2009 fiscal year, beginning July 1, 2008.

School Administrator I	\$3,264	\$6,132
School Administrator II	\$3,465	\$6,503
School Administrator III	\$3,678	\$6,899
School Administrator IV	\$3,827	\$7,174
School Administrator V	\$3,981	\$7,464
School Administrator VI	\$4,223	\$7,916
School Administrator VII	\$4,393	\$8,235

The local board of education shall determine the appropriate category and placement for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or finance officer within the salary ranges and within funds appropriated by the General Assembly for central office administrators and contract of any employee.

SECTION 7.3.(b) The monthly salary ranges that follow apply to public school superintendents for the 2008-2009 fiscal year, beginning July 1, 2008.

Superintendent I	\$4,663	\$8,735
Superintendent II	\$4,950	\$9,263
Superintendent III	\$5,252	\$9,827
Superintendent IV	\$5,573	\$10,424
Superintendent V	\$5,915	\$11,059

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

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

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

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

SECTION 7.3.(f) The annual salary increase for all permanent full-time personnel paid from the Central Office Allotment shall be one and one-half percent (1

1 1/2%) and a one thousand dollar (\$1,000) bonus commencing July 1, 2008. The State
2 Board of Education shall allocate these funds to local school administrative units. The
3 local boards of education shall establish guidelines for providing salary increases to
4 these personnel.

6 **NONCERTIFIED PERSONNEL SALARIES**

7 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time
8 noncertified public school employees whose salaries are supported from the State's
9 General Fund shall be one and one-half percent (1 ½ %) and a one thousand dollar
10 (\$1,000) bonus commencing July 1, 2008.

11 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
12 for such employees who were employed for all or part of fiscal year 2007-2008 and who
13 continue their employment for fiscal year 2008-2009 by providing an annual salary
14 increase for employees of one and one half percent (1 ½ %) and a one thousand dollar
15 (\$1,000) bonus. For part-time employees, the pay increase shall be pro rata based on the
16 number of hours worked.

17 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for
18 noncertified personnel to support increases of one and one half-percent (1 ½ %) and a
19 one thousand dollar (\$1,000) bonus for the 2008-2009 fiscal year.

21 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 22 **SCHEDULES**

23 **SECTION 7.5.** Effective July 1, 2008, any permanent personnel employed
24 on July 1, 2008, and paid at the top of the principal and assistant principal salary
25 schedule shall receive a onetime bonus equivalent to two percent (2%). Any permanent
26 personnel employed on July 1, 2008, paid at the top of the teacher salary schedule shall
27 receive a onetime bonus equivalent to one and eight tenths percent (1.80%). Personnel
28 defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

30 **CHILDREN WITH DISABILITIES**

31 **SECTION 7.6.** The State Board of Education shall allocate funds for
32 children with disabilities on the basis of three thousand three hundred fifty dollars and
33 eighty-one cents (\$3,350.81) per child for a maximum of 173,114 children for the
34 2008-2009 school year. Each local school administrative unit shall receive funds for the
35 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
36 five-tenths percent (12.5%) of the 2008-2009 allocated average daily membership in the
37 local school administrative unit.

38 The dollar amounts allocated under this section for children with disabilities
39 shall also adjust in accordance with legislative salary increments, retirement rate
40 adjustments, and health benefit adjustments for personnel who serve children with
41 disabilities.

43 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

1 **SECTION 7.7.** The State Board of Education shall allocate funds for
2 academically or intellectually gifted children on the basis of one thousand eight –three
3 dollars and one cent (\$1,083.01) per child. A local school administrative unit shall
4 receive funds for a maximum of four percent (4%) of its 2008-2009 allocated average
5 daily membership, regardless of the number of children identified as academically or
6 intellectually gifted in the unit. The State Board shall allocate funds for no more than
7 59,063 children for the 2008-2009 school year.

8 The dollar amounts allocated under this section for academically or
9 intellectually gifted children shall also adjust in accordance with legislative salary
10 increments, retirement rate adjustments, and health benefit adjustments for personnel
11 who serve academically or intellectually gifted children.

12 13 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

14 **SECTION 7.8.(a)** The State Board of Education shall use funds
15 appropriated in this act for State Aid to Local School Administrative Units to provide
16 incentive funding for schools that met or exceeded the projected levels of improvement
17 in student performance during the 2007-2008 school year, in accordance with the ABCs
18 of Public Education Program. In accordance with State Board of Education policy:

- 19 (1) Incentive awards in schools that achieve higher than expected
20 improvements may be:
- 21 a. Up to one thousand five hundred dollars (\$1,500) for each
22 teacher and for certified personnel; and
 - 23 b. Up to five hundred dollars (\$500.00) for each teacher assistant.
- 24 (2) Incentive awards in schools that meet the expected improvements may
25 be:
- 26 a. Up to seven hundred fifty dollars (\$750.00) for each teacher and
27 for certified personnel; and
 - 28 b. Up to three hundred seventy-five dollars (\$375.00) for each
29 teacher assistant.
- 30

31 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

32 **SECTION 7.9.** Section 7.20(d) of S.L. 2007-323 reads as rewritten:

33 **"SECTION 7.20.(d)** The State Board of Education shall implement an allotment
34 formula developed pursuant to Section 7.16(d) of S.L. 2006-66, for funding e-learning,
35 effective ~~in the 2008-2009 fiscal year.~~ the beginning of the 2008-2009 school year. The
36 formula developed for allotting NCVPS funds shall be reported to the Fiscal Research
37 Division, the Office of State Budget and Management, and the Joint Legislative
38 Education Oversight Committee no later than July 1, 2008. NCVPS shall be available at
39 no cost to all students in North Carolina who are enrolled in North Carolina's public
40 schools, Department of Defense schools, and schools operated by the Bureau of Indian
41 Affairs. The Department of Public Instruction shall communicate to local school
42 administrative units all applicable guidelines regarding the enrollment of nonpublic
43 school students in these courses."
44

MORE AT FOUR PROGRAM

SECTION 7.10.(a) Chapter 115C of the General Statutes is amended by adding a new section to read:

"Part 10. More at Four Program.

"§ 115C-238.58. Purpose.

(a) The purpose of this part is to authorize the More at Four pre-kindergarten program to enhance school readiness for children who are at risk for school failure. The More at Four program shall be available on a voluntary basis statewide to all counties that choose to participate. The More at Four program shall serve children who reach the age of four on or before August 31 of that school year and who meet eligibility criteria that indicate a child's risk of school failure. More at Four programs shall be operated in public schools, Head Start programs, and licensed child care facilities that choose to participate under procedures defined by the Office of School Readiness within the Department of Public Instruction. All More at Four programs so established shall be subject to the supervision of the Office of School Readiness and shall be operated in accordance with standards adopted by the State Board of Education.

(b) The More at Four program shall specify program standards and requirements addressing:

- (1) Early learning standards and curricula;
- (2) Teacher education and specialized training;
- (3) Teacher in-service training and professional development;
- (4) Maximum class size;
- (5) Staff-child ratio;
- (6) Screenings, referrals, and support services;
- (7) Meals;
- (8) Monitoring of sites to demonstrate adherence to State programs standards.

(c) The "More at Four" program shall establish income eligibility requirements for the program not to exceed seventy-five percent (75%) of the State median income. Up to twenty percent (20%) of children enrolled may have family incomes in excess of seventy-five percent (75%) of median income if they have other designated risk factors. Furthermore, any age-eligible child of (i) an active duty member of the armed forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the armed forces, who is ordered to active duty by the proper authority within the last 18 months or expected to be ordered within the next 18 months, or (ii) a member of the armed forces of the United States, including the North Carolina National Guard, State military forces, or a reserve component of the armed forces, who was injured or killed while serving on active duty, shall be eligible for the program."

SECTION 7.10.(b) This section becomes effective July 1, 2008.

SECTION 7.10.(c) The salaries and benefits of twenty-seven and one-half More at Four positions in the Department of Public Instruction currently supported by lottery receipts shall be funded with existing More at Four appropriation and all lottery receipts shall be used to pay for direct slot costs.

SECTION 7.10.(d) Section 7.24(b) of S.L. 2007-323 reads as rewritten:

1 **"SECTION 7.24.(b)** The Department of Public Instruction shall continue to
2 implement a plan to expand "More at Four" program standards within existing resources
3 to include four and five star rated centers and schools serving four year olds and
4 develop guidelines for these programs. The ~~the~~ "NC Prekindergarten Program
5 Standards" initiative shall to recognize as high quality those prekindergarten classrooms
6 located in four- and five-star-rated centers that choose to apply and meet equivalent
7 "More at Four" program standards as high quality pre-k classrooms. Classrooms
8 meeting these standards standards. Such recognized classrooms shall have access to
9 training and workshops for available to "More at Four" programs. Whenever expansion
10 slots are available, these classrooms shall have first priority to receive them.

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

16 **SECTION 7.10.(e)** Section 7.24.(f) of S.L. 2007-323 reads as rewritten:

17 **"SECTION 7.24.(f)** If a county is unable to ~~increaserequest~~ "More at Four"
18 expansion slots because of a documented lack of available resources necessary to
19 provide the required local contribution for the additional slots allocated to the county for
20 the 2007-2008 fiscal year, supplement those slots to full funding, the contract agency
21 for that county may appeal to the Office of School Readiness-Readiness. for an
22 exception to the required local amount for those additional slots. The Office of School
23 Readiness may grant an exception and allot funds to pay up to ninety percent (90%) of
24 the full cost of the additional slots for that county if it finds that (i) there is in fact a
25 documented lack of available resources in the county to support expansion of the More
26 at Four program and (ii) granting the exception will not reduce access statewide to
27 "More at Four" slots. specifically target a known unserved at-risk four-year-old
28 population with the county."

30 **LEARN AND EARN PROGRAM DIRECTORS**

31 **SECTION 7.11.(a)** The State Board of Education shall use funds
32 appropriated in this act and three million four hundred twenty-nine thousand eight
33 hundred eighty-eight dollars (\$3,429,888) from the 2008-2009 Learn and Earn Online
34 appropriation to establish a full-time Learn and Earn Program Director in each local
35 school administrative unit. The full-time position will be responsible for overseeing the
36 Learn and Earn initiatives for each school in a local school administrative unit.

37 **SECTION 7.11.(b)** The individual in this position will serve on the district
38 cabinet as a leadership position for 21st century innovation in the local school
39 administrative unit with the primary responsibility of serving as the liaison between the
40 North Carolina Virtual Public Schools, Learn and Earn Online, the local district central
41 office, and each school principal. Each Learn and Earn Program Director shall
42 coordinate monthly with the State Board of Education and the Department of Public
43 Instruction.

1 **SECTION 7.11.(c)** This position shall serve as the primary student advocate
2 by providing leadership, direction, and support to each school principal in the district by
3 creating and monitoring student success in the online environment.

4 The Learn and Earn Program Director shall ensure that teachers,
5 administrators, students, and parents are fully informed of the Learn and Earn
6 opportunities and know how to access these courses. The Director will also train high
7 school teachers and counselors to align high school coursework to higher education
8 curricula, and identify appropriate technical assistance resources in each school so that
9 the resources are available to all local school administrative unit students participating
10 in Learn and Earn programs.

11 **LEARN AND EARN ONLINE CARRYFORWARD**

12 **SECTION 7.12.(a)** Funds appropriated for the Learn and Earn Online that
13 are unexpended or unencumbered at the end of each fiscal year shall not revert, but shall
14 remain available for expenditure.

15 **SECTION 7.12.(b)** This section becomes effective June 30, 2008.

16 **LEARN AND EARN**

17 **SECTION 7.13.** Chapter 115C of the General Statutes is amended by adding
18 a new section to read:

19 "**§115C-238.56 Learn and Earn high schools.**

20 (a) The purpose of the Learn and Earn high school program is to create rigorous
21 and relevant high school options that provide students with the opportunity and
22 assistance to earn an associate degree or two years of college credit by the conclusion of
23 the year after their senior year in high school. The State Board of Education shall work
24 closely with the Education Cabinet and the New Schools Project in administering the
25 program.

26 (b) Learn and Earn funds shall be used to establish new high schools in which a
27 local school administrative unit, two- and four-year colleges and universities, and local
28 employers work together to ensure that high school and postsecondary college curricula
29 operate seamlessly and meet the needs of participating employers. Funds shall not be
30 allotted until Learn and Earn high schools are certified as operational.

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

35 (d) The State Board of Education, in consultation with the State Board of
36 Community Colleges and The University of North Carolina Board of Governors, shall
37 conduct an annual evaluation of this program. The evaluation shall include measures as
38 identified in G.S. 115C-238.55. It shall also include: (i) an accounting of how funds and
39 personnel resources were utilized and their impact on student achievement, retention,
40 and employability; (ii) recommended statutory and policy changes; and (iii)
41 recommendations for improvement of the program. The State Board of Education shall
42 report the results of this evaluation to the Office of State Budget and Management, the
43
44

1 Joint Legislative Education Oversight Committee, and the Fiscal Research Division by
2 January 15 of each fiscal year.

3 (e) Enrollment fees and tuition for The University of North Carolina courses in
4 which Learn and Earn students are enrolled are allowable uses of Learn and Earn funds.
5 Tuition costs may include laboratory fees assessed to all students enrolled in the course
6 or a similar course.

7 (f) Textbooks required for college courses in which Learn and Earn students are
8 enrolled may be purchased with Learn and Earn funds.

9 (g) Payment of fees from Learn and Earn funds by local school administrative
10 units to partnering community colleges and universities are restricted to technology or
11 course fees. State funds shall not be used to support the cost of athletic or other student
12 activity or campus fees not required by enrollment in a specific course.

13 (h) The State Board of Education shall allot funds for university enrollment,
14 tuition and fees, and textbooks on the basis of and after verification of the credit hour
15 enrollment of Learn and Earn students in university courses. The State Board of
16 Education shall allot funds for community college fees and textbooks on the basis of
17 and after verification of the credit hour enrollment of Learn and Earn students in
18 community college courses."

20 LEARN AND EARN ONLINE

21 **SECTION 7.14.** Chapter 115C of the General Statutes is amended by adding
22 a new section to read:

23 "§ 115C-238.57. Learn and Earn Online.

24 (a) The purpose of the Learn and Earn Online program is to allow high school
25 students to enroll in college courses to qualify for college credit. Online courses will be
26 made available to students through The University of North Carolina and the North
27 Carolina Community College System.

28 (b) Learn and Earn Online funds shall be used for course tuition and only those
29 technology and course fees and textbooks required for course participation.

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

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

38 (e) The University of North Carolina program shall report to The University of
39 North Carolina Board of Governors, and the North Carolina Community College
40 program shall report to the North Carolina Community College Board of Trustees. The
41 Department of Public Instruction shall report to the State Board of Education. The
42 following information should be reported by semester on an annual basis to the Office
43 of State Budget and Management, the Fiscal Research Division, and the Joint
44 Legislative Education Oversight Committee: expenditures for tuition, textbooks,

1 technology, and course fees; the number of participating students, the number of course
2 registrations, and the number of credit hours earned per student.

3 (f) Both The University of North Carolina and the North Carolina Community
4 College System shall provide oversight and coordination, including coordination with
5 the Department of Public Instruction and with the North Carolina Virtual Public School
6 (NCVPS) to avoid course duplication."
7

8 **EVALUATIONS OF PRINCIPALS**

9 **SECTION 7.15.** G.S. 115C-286.1 reads as rewritten:

10 **"§ 115C-286.1. Evaluations of principals.**

11 Local school administrative units shall evaluate all principals and assistant principals
12 at least once each year. Either the superintendent or the superintendent's designee shall
13 conduct the evaluations.

14 Beginning with the 2008-2009 school year, administrators shall be evaluated based
15 on the new evaluation instrument developed by the State Board of Education that
16 includes The State Board of Education shall ensure that the standards and criteria for the
17 evaluations include the accountability measures of teacher retention, teacher support,
18 and school climate. The State Board shall revise its evaluation instruments to include
19 these measures.—A local board shall use the performance standards and criteria
20 instrument adopted by the State Board for a minimum of three years. After three years,
21 a local board may request a waiver to use unless the board develops an alternative
22 evaluation that is properly validated and that includes standards—the State Board of
23 Education's standards for 21st century administrators and criteria similar to those
24 adopted by the State Board."
25

26 **PROFESSIONAL DEVELOPMENT PROGRAMS**

27 **SECTION 7.16.** Chapter 115C of the General Statutes is amended by adding
28 a new section to read:

29 **"§ 115C-335. Professional Development.**

30 (1) The State Board of Education shall approve all professional
31 development programs made available to public school administrators
32 and teachers in North Carolina.

33 (2) All providers of professional development must apply for and be
34 granted formal approval by the State Board of Education prior to
35 delivering professional development services or programs to North
36 Carolina public school administrators and teachers."
37

38 **TEACHER ACADEMY**

39 **SECTION 7.17.** Of the funds appropriated in S.L. 2007-323 for literacy
40 coach training, the North Carolina Teacher Academy may use up to three hundred
41 twenty-eight thousand dollars (\$328,000) to establish up to three new positions
42 including associated operating support. Any positions established under this section
43 shall be dedicated to providing ongoing literacy coach training.
44

ANNUAL TEACHER TURNOVER

SECTION 7.18. G.S. 115C-12 (22) of the General Statutes reads as rewritten:

"§ 115C-12. Powers and Duties of the Board generally.

(22) Duty to Monitor the Decisions of Teachers to Leave the Teaching Profession. – The State Board of Education shall monitor and compile an annual report on the decisions of teachers to ~~leave the teaching profession.~~ Remain in the teaching profession. The State Board shall ~~adopt standard procedures for each local board of education to use in requesting the information from teachers who are not continuing to work as teachers in the local school administrative unit and shall require each local board of education to report the information to the State Board in a standard format adopted by the State Board.~~ analyze the data from the biennial North Carolina Teacher Working Conditions Survey and report major trends and findings at the State and district level on the reasons teachers state they will remain teaching in North Carolina."

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.19.(a) Section 7.28.(c) of S.L. 2007-323 reads as rewritten:

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

Expenditures of existing funds for instructional technologies and local infrastructure shall be reported for each local school administrative unit to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee annually by January 15."

SECTION 7.19.(b) Up to three hundred thousand dollars (\$300,000) may be transferred to the Friday Institute at North Carolina State University to evaluate the effectiveness of using technology and its impact on 21st Century Teaching and Learning outcomes approved by the State Board of Education. The Friday Institute shall report annually to the State Board of Education on the evaluation results including recommendations for continued implementation of the school connectivity initiative.

SECTION 7.19.(c) Funds appropriated for the connectivity initiative that are unexpended or unencumbered at the end of each fiscal year shall not revert, but shall remain available for expenditure.

SECTION 7.19.(d) This section becomes effective June 30, 2008.

COMPREHENSIVE SUPPORT PROGRAM

SECTION 7.20. Funds appropriated in this act for the Comprehensive District and School Support program shall be used for positions and operating support

1 in accordance with the plan approved by the State Board of Education. These funds
2 shall replace the salaries and benefits of fifteen and eighty-one hundredths (15.81)
3 federally funded positions due to a reduction in the federal grants. The State Board of
4 Education may also use these funds to establish new positions or raise the salaries of
5 existing positions for the Comprehensive District and School Support program, subject
6 to the approval of the Office of State Budget and Management.
7

8 **COMMUNITIES IN SCHOOLS**

9 **SECTION 7.21.** Funds appropriated in this act shall be used to match a
10 Gates Foundation grant awarded specifically to support the creation and implementation
11 of Performance Learning Centers.
12

13 **PART VIII. COMMUNITY COLLEGES**

14 **REORGANIZATION OF THE NORTH CAROLINA COMMUNITY** 15 **COLLEGES SYSTEM OFFICE**

16 **SECTION 8.1.(a)** Notwithstanding any other provision of law, and
17 consistent with the authority established in G. S. 115D-3, the President of the North
18 Carolina Community Colleges System may reorganize the System Office in accordance
19 with recommendations and plans submitted to and approved by the State Board of
20 Community Colleges.
21

22 **SECTION 8.1.(b)** This section expires June 30, 2009.
23

24 **CARRYFORWARD FOR EQUIPMENT**

25 **SECTION 8.2.(a)** Subject to the approval of the Office of State Budget and
26 Management and cash availability, the North Carolina Community Colleges System
27 Office may carry forward an amount not to exceed ten million dollars (\$10,000,000) of
28 the operating funds that were not reverted in fiscal year 2007-2008 to be reallocated to
29 the State Board of Community Colleges' Equipment Reserve Fund. These funds shall be
30 distributed to colleges consistent with G.S.115D-31.

31 **SECTION 8.2.(b)** This section becomes effective June 30, 2008.
32

33 **USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM**

34 **SECTION 8.3.(a)** Funds appropriated in this act to the Community Colleges
35 System Office for the College Information System shall not revert at the end of the
36 2008-2009 fiscal year but shall remain available until expended. These funds may be
37 used to purchase periodic system upgrades.

38 **SECTION 8.3.(b)** Notwithstanding G.S. 143C-6-4, the Community Colleges
39 System Office may, subject to the approval of the Office of State Budget and
40 Management, in consultation with the Office of Information Technology Services, use
41 funds appropriated in this act for the College Information System to create a maximum
42 of three positions. Personnel positions created pursuant to this subsection shall be
43 dedicated to maintaining and administering information technology and software
44 upgrades to the College Information System.

1 **SECTION 8.3.(c)** The Community Colleges System Office shall report by
2 January 1, 2009, to the Joint Legislative Education Oversight Committee on the final
3 implementation of the College Information System Project.

4
5 **NCCCS DATA WAREHOUSE**

6 **SECTION 8.4.(a)** Funds are appropriated in this act for the North Carolina
7 Community Colleges System Data Warehouse project. The Community Colleges
8 System Office shall consult with the Office of State Budget and Management and the
9 Office of Information Technology Services upon completion of the final business
10 requirements for the expansion and enhancement of the NCCCS Data Warehouse and
11 before commencing further work on the Data Warehouse.

12 **SECTION 8.4.(b)** NCCCS Data Warehouse expansion and enhancements
13 shall be compatible and able to be integrated with other data systems maintained by The
14 University of North Carolina and the Department of Public Instruction.

15
16 **ADDITIONAL NURSING FACULTY SHALL BE ALLOCATED BASED ON**
17 **PROGRAM WAITING LISTS**

18 **SECTION 8.5.(a)** Funds are appropriated in this act for 55 additional
19 nursing faculty for community college nursing programs. The State Board of
20 Community Colleges shall determine the allocation of these positions among the
21 community colleges. This determination shall include such criteria as the length of the
22 program's waiting list, the duration of a student's time on the waiting list, and the
23 physical capacity of the community college to support additional faculty positions.

24 **SECTION 8.5.(b)** These funds shall be used to create new faculty positions
25 in nursing programs and shall not be used to supplement existing faculty salaries or be
26 transferred for any other purpose.

27
28 **REPORT ON EFFECT OF ADDITIONAL ALLIED HEALTH FUNDING**

29 **SECTION 8.6.** The Community Colleges System Office shall report by
30 March 1, 2009, to the Joint Legislative Education Oversight Committee, the Fiscal
31 Research Division, and the Office of State Budget and Management regarding the effect
32 of additional funding received for nursing and allied health programs in 2006-2007,
33 2007-2008 and funds received in this act. This report shall describe how the additional
34 allied health funding has addressed the following:

- 35 (1) The number of students enrolled in these programs;
36 (2) The length of program waiting lists;
37 (3) The number of additional faculty hired;
38 (4) The faculty credentials earned by community college nursing faculty;
39 (5) The level of salary and compensation awarded to faculty members;
40 (6) The clinical opportunities available to students; and
41 (7) The performance of students on nursing licensure exams.

42
43 **REPORT ON COST OF ALL PROGRAMS**

1 **SECTION 8.7.** The Community Colleges System Office shall report by
2 November 15, 2009, to the Fiscal Research Division and the Office of State Budget and
3 Management regarding the instructional cost of all curriculum and non-curriculum
4 programs. This report shall include an explanation of the differences in costs between
5 programs, including faculty salaries and equipment costs.

6
7 **MINORITY MALE MENTORING PROGRAM FUNDS**

8 **SECTION 8.8.(a)** Funds appropriated for the Minority Male Mentoring
9 Program shall not revert at the end of the fiscal year, but shall remain available until
10 expended.

11 **SECTION 8.8.(b)** This section becomes effective June 30, 2008.

12
13 **LEARN & EARN ON-LINE FUNDS**

14 **SECTION 8.9.(a)** Funds allotted to the North Carolina Community Colleges
15 System for full-time equivalent (FTE) students shall not revert at the end of a fiscal
16 year, but shall remain available for expenditure up to 12 months after the close of a
17 fiscal year.

18 **SECTION 8.9.(b)** This section becomes effective June 30, 2008.

19
20 **CONSOLIDATE WORKFORCE DEVELOPMENT PROGRAMS**

21 **SECTION 8.10.(a)** G.S. 115D-5.1. reads as rewritten:

22 **"§ 115D-5.1. Workforce Development Programs.**

23 (a) Community colleges shall assist in the preemployment and in-service training
24 of employees in industry, business, agriculture, health occupation and governmental
25 agencies. Such training shall include instruction on worker safety and health standards
26 and practices applicable to the field of employment. The State Board of Community
27 Colleges shall make appropriate regulations including the establishment of maximum
28 hours of instruction which may be offered at State expense in each in-plant training
29 program. No instructor or other employee of a community college shall engage in the
30 normal management, supervisory and operational functions of the establishment in
31 which the instruction is offered during the hours in which the instructor or other
32 employee is employed for instructional or educational purposes.

33 (b) The State Board of Community Colleges shall adopt guidelines governing all
34 Customized Industry Training Programs that shall incorporate the ~~The North Carolina~~
35 Community College System's current New and Expanding Industry Training (NEIT)
36 Program Guidelines, which were adopted by the State Board of Community Colleges on
37 April 18, 1997, and subsequently modified. The guidelines shall apply to all funds
38 appropriated for customized Industry Training Programs ~~the Program~~ after June 30,
39 ~~1997-2008.~~ A project approved as an exception under these Guidelines, or these
40 Guidelines as modified by the State Board of Community Colleges, shall be approved
41 for one year only.

42 (b1) Notwithstanding any other provision of law, the State Board of Community
43 Colleges may adopt rules and guidelines that allow the ~~New and Expanding Industry~~
44 ~~Training Program and the Focused Industrial Training Program~~ Customized Industry

1 Training Programs to use funds appropriated for those programs to support training
2 projects for the various branches of the United States Armed Forces.

3 (c) The State Board of Community Colleges shall report to the Joint Legislative
4 Education Oversight Committee on September 1 of each year on expenditures for the
5 ~~New and Expanding Industry Training Program~~ Customized Industry Training
6 Programs each fiscal year. The report shall include, for each company or individual that
7 receives funds for the ~~New and Expanding Industry Training Program~~ Customized
8 Industry Training Programs:

9 (1) The desired business expansion or enhancement objective sought by
10 the company or individual;

11 ~~(1)(2)~~ (2) The total amount of funds received by the company or individual;

12 ~~(2)(3)~~ (3) The amount of funds per trainee received by the company or
13 individual;

14 ~~(3)(4)~~ (4) The amount of funds received per trainee by the community college
15 training the trainee;

16 ~~(4)(5)~~ (5) The number of trainees trained by company and by community
17 college; ~~and~~

18 (6) The types of services rendered per company or individual by
19 community college; and

20 ~~(5)(7)~~ (7) The number of years the companies or individuals have been
21 ~~funded.~~ funded or served.

22 (d) Funds available ~~to the New and Expanding Industry Training Program for~~
23 Customized Training Programs shall not revert at the end of a fiscal year but shall
24 remain available until expended.

25 (e) ~~There is created within the North Carolina Community College System the~~
26 ~~Customized Industry Training (CIT) Program. The CIT Program shall offer programs~~
27 ~~and training services as new options for assisting existing business and industry to~~
28 ~~remain productive, profitable, and within the State. Before a business or industry~~
29 ~~qualifies to receive assistance under the CIT Program,~~ Customized Industry Training
30 Programs, the President of the North Carolina Community College ~~System~~ System, or
31 the President's designee, shall determine that:

32 (1) The business is making an appreciable capital investment;

33 (2) The business is deploying new technology; ~~and~~

34 (3) The business or individual is creating jobs, expanding an existing
35 workforce, or enhancing the productivity and profitability of their
36 operations within the State; and

37 ~~(3)(4)~~ (4) The skills of the workers will be enhanced by the assistance.

38 (f) ~~The State Board shall report on an annual basis to the Joint Legislative~~
39 ~~Education Oversight Committee on:~~

40 (1) ~~The total amount of funds received by a company under the CIT~~
41 ~~Program;~~

42 (2) ~~The amount of funds per trainee received by that company;~~

43 (3) ~~The amount of funds received per trainee by the community college~~
44 ~~delivering the training;~~

1 ~~(4) The number of trainees trained by the company and community~~
2 ~~college; and~~

3 ~~(5) The number of years that company has been funded.~~

4 (f) The State Board may approve the use of funds appropriated for Customized
5 Industry Training Programs for the training and support of regional, community college
6 personnel to deliver Customized Industry Training Program services to business and
7 industry up to five percent (5%) of the funds appropriated in the current year for
8 Customized Industry Training Programs.

9 (g) The State Board shall adopt rules and policies to implement this section."

10 **SECTION 8.10.(b)** The State Board of Community Colleges shall transfer
11 funds appropriated for the New and Expanding Industry Training Program and the
12 Focused Industrial Training Program to the Customized Industry Training Programs
13 appropriation. This transfer shall be completed by September 1, 2008.

14 **PART IX: UNIVERSITIES**

15 **REPORTING ON UNC FACULTY WORKLOAD**

16
17 **SECTION 9.1.(a)** The Board of Governors shall conduct a study on faculty
18 workload. The study shall be done using the Delaware Study Method of collecting data.
19 Information in the report should include, but is not to be limited to:

20
21 (1) Faculty workload data for each UNC constituent institution compared
22 to the UNC enrollment model.

23 (2) UNC faculty workload average as compared to the UNC enrollment
24 model student credit hours per instructional position.

25 (3) Faculty workload of regional and peer institutions as compared to each
26 UNC constituent institution faculty average and to the UNC faculty
27 workload average.

28 **SECTION 9.1.(b)** The UNC Board of Governors shall submit the study to
29 the Joint Legislative Education Oversight Committee, the Office of State Budget and
30 Management, and the Fiscal Research Division no later than August 1, 2008.

31 **UNC-NCCCS 2+2 E-LEARNING INITIATIVE**

32 **SECTION 9.2.(a)** Funds appropriated in this act to The University of North
33 Carolina and the North Carolina Community College System for the UNC-NCCCS 2+2
34 E-Learning Initiative shall be used to fund further development of online courses for
35 2+2 programs. Based on a mutually agreed upon decision by the State Board of
36 Education Chairman, the President of the Community Colleges, and the President of
37 The University of North Carolina as to the areas of greatest need, to include
38 mathematics and science teacher licensure fields, funds are available to support joint
39 technology development, systems to track student progress and articulation between a
40 North Carolina community college and a UNC constituent institution, and develop
41 technology needed to support online courses and 2+2 programs.
42

1 **SECTION 9.2.(b)** The University of North Carolina and The North Carolina
2 Community Colleges System shall use these funds first to develop online teacher
3 education programs, including baccalaureate and associate pre-major programs.

4 **SECTION 9.2.(c)** The University of North Carolina and Community
5 College System Office shall report by September 1, 2008, and annually thereafter, to the
6 Joint Legislative Education Oversight Committee, the State Board of Education, the
7 Office of State Budget and Management, and the Fiscal Research Division of the
8 General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning
9 Initiative. This report shall include:

- 10 (1) The courses and programs within the 2+2 E-Learning Initiative;
- 11 (2) The total number of prospective teachers that have taken or are taking
12 part in this initiative to date broken down by the current academic
13 period and each of the previous academic periods since the program's
14 inception;
- 15 (3) The total number of teachers currently in the State's classroom, by
16 local school administrative unit, who have taken part in this initiative;
- 17 (4) The change in the number of teachers available to schools since the
18 program's inception;
- 19 (5) The qualitative data from students, teachers, local school
20 administrative unit personnel, university personnel, and community
21 college personnel as to the impact of this initiative on our State's
22 teaching pool; and
- 23 (6) An explanation of the expenditures and collaborative programs
24 between the North Carolina Community College System and The
25 University of North Carolina, including recommendations for
26 improvement.

27
28 **EDUCATION ACCESS REWARDS NORTH CAROLINA (EARN) SCHOLARS**
29 **FUND TO INCLUDE RESIDENT STUDENTS ENROLLED AT A PRIVATE**
30 **COLLEGE OR UNIVERSITY**

31 **SECTION 9.3.(a)** G.S. 116-209.26(a) is rewritten to read:

32 **"§ 116-209.26. Education Access Rewards North Carolina Scholars Fund.**

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

- 34 (1) Academic year. – A period of time in which a student in matriculated
35 status is expected to complete the equivalent of at least two semesters'
36 or three quarters' academic work.
- 37 (2) Eligible postsecondary institution. – A school that is:
 - 38 a. A constituent institution of The University of North Carolina as
39 defined in G.S. 116-2(4); or
 - 40 b. A community college as defined in ~~G.S. 115D-2(2).~~
41 G.S. 115D-2(2); or
 - 42 c. An institution as defined in G.S. 116-22(1).
- 43 (3) Matriculated status. – Being recognized as a first-time candidate for a
44 degree or certificate, exclusive of any course credits earned while in

1 high school, in a defined program of study at an eligible postsecondary
2 institution.

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

4 **SECTION 9.3.(b)** Any funds appropriated from the Escheat Fund to the
5 Education Access Rewards North Carolina Scholars Fund shall be allocated by the State
6 Educational Assistance Authority in accordance with G.S. 116B-7.

7
8 **MATCHING GRANTS FOR TEACHERS IN THE NORTH CAROLINA**
9 **PUBLIC SCHOOLS WHO HAVE ESTABLISHED PARENTAL SAVINGS**
10 **TRUST FUND ACCOUNTS**

11 **SECTION 9.4.(a)** There is appropriated from the General Fund to the State
12 Education Assistance Authority the sum of two million dollars (\$2,000,000) for the
13 2008-2009 fiscal year to make grants in the form of matching contributions, of up to one
14 thousand dollars (\$1,000) per account, to accounts in the Parental Savings Trust Fund
15 established pursuant to G.S. 116-209.25. Such matching grants shall be made only for
16 amounts contributed to accounts owned by teachers who are employed in the North
17 Carolina public schools. Any account opened as of or after July 1, 2008, is eligible to
18 receive an annual matching grant of one hundred percent (100%) of all amounts
19 contributed up to the maximum grant per teacher per year provided that, the account
20 owner is a licensed teacher employed in the North Carolina public schools, and
21 provided further that, matching grants are not available for withdrawal for payment of
22 the qualified higher education expenses of the designated beneficiary until after the
23 account owner has been teaching in the North Carolina public schools for five years. If a
24 teacher leaves employment in a North Carolina public school before completing five
25 years of service, all matching grant funds allocated to such teacher's account, and all
26 interest earned on those funds, shall be available for matching grants to other eligible
27 teachers. The matching grants provided for in this section shall be used only for
28 payment of the qualified higher education expenses of the designated beneficiary.

29 **SECTION 9.4.(b)** The State Education Assistance Authority may adopt
30 specific rules to regulate the matching contributions.

31
32 **UNC ENROLLMENT GROWTH REQUEST TO CONTAIN PREVIOUS**
33 **ACADEMIC YEAR'S ACTUAL STUDENT CREDIT HOURS (SCH) AND**
34 **FULL-TIME EQUIVALENCIES (FTE)**

35 **SECTION 9.5.** G.S. 116-11(9)(a) reads as rewritten:

36 "**§ 116-11. Powers and duties generally.**

37 ...

38 (9) ~~a.~~a.1. The Board of Governors shall develop, prepare and present to
39 the Governor and the General Assembly a single, unified
40 recommended budget for all of the constituent institutions of
41 The University of North Carolina. The recommendations shall
42 consist of requests in three general categories: (i) funds for the
43 continuing operation of each constituent institution, (ii) funds
44 for salary increases for employees exempt from the State

Personnel Act and (iii) funds requested without reference to constituent institutions, itemized as to priority and covering such areas as new programs and activities, expansions of programs and activities, increases in enrollments, increases to accommodate internal shifts and categories of persons served, capital improvements, improvements in levels of operation and increases to remedy deficiencies, as well as other areas. The president may present to the General Assembly an updated estimate of tuition, fees, and other receipts by June 15 of each year to be included in the budget for the following fiscal year.

a2. The Board of Governors shall provide full documentation and justification of any enrollment change funding request at the time it is recommended. This documentation and justification shall include the most recent academic year's actual enrollment numbers in the same format in which the growth increase request is made. The actual enrollment numbers shall be the actual student credit hours (SCH) or full-time equivalencies (FTE).

...."

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

SECTION 9.6. Effective June 30, 2008, the unencumbered balance of the funds appropriated in 2007-2008 to The University of North Carolina Board of Governors and the State Education Assistance Authority in Section 9.7 of S.L. 2007-323 shall revert to the General Fund. The amount reverted shall be no less than twenty-seven million six hundred five thousand two hundred ten dollars (\$27,605,210).

STUDY OF ANY PART OF THE UNC SYSTEM FUNDED BASED ON THE FULL-TIME EQUIVALENCY (FTE) MODEL

SECTION 9.7.(a) The Office of State Budget and Management shall conduct a study of the formula for enrollment growth for any portion of the UNC system that is funded based on the FTE enrollment growth model. If this study recommends changes to the enrollment growth formula, the revised formula will be used to calculate the amount of funds needed for enrollment growth. The formula will be used for calculating the enrollment growth funding recommendation to be submitted to the 2009 Session of the North Carolina General Assembly.

SECTION 9.7.(b) The Office of State Budget and Management shall submit the study to the Joint Legislative Education Oversight Committee and the Fiscal Research Division no later than March 1, 2009.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BUDGET FLEXIBILITY FOR DHHS ADMINISTRATION

1 **SECTION 10.1.** Notwithstanding G.S. 143C-6-4, for 2008-2009 fiscal year,
2 the Department of Health and Human Services may, with approval of the Office of State
3 Budget and Management, take actions necessary to identify and realign or adjust the
4 authorized budgets of the department to fund payments for audit services provided by
5 the Office of State Auditor and for data processing services billed by the State
6 Information Technology Services office.

7
8 **CHANGES TO FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

9 **SECTION 10.2.** Sections 10.29(a) and (b) of S.L. 2007-323 read as
10 rewritten:

11 "**SECTION 10.29.(a)** The maximum rates for the State participation in the foster
12 care assistance program are established on a graduated scale based on the United States
13 Department of Agriculture annual report on the cost of raising a child and are
14 appropriated as follows:

- 15 (1) ~~\$390.00~~ \$475.00 per child per month for children aged birth through 5;
16 (2) ~~\$440.00~~ \$581.00 per child per month for children aged 6 through 12;
17 and
18 (3) ~~\$490.00~~ \$634.00 per child per month for children aged 13 through 18.

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

21 "**SECTION 10.29.(b)** The maximum rates for the State participation in the adoption
22 assistance program are established on a graduated scale consistent with the foster care
23 rates as follows:

- 24 (1) ~~\$390.00~~ \$475.00 per child per month for children aged birth through 5;
25 (2) ~~\$440.00~~ \$581.00 per child per month for children aged 6 through 12;
26 and
27 (3) ~~\$490.00~~ \$634.00 per child per month for children aged 13 through 18.

28 "**SECTION 10.29.(c)** In addition to providing board payments to foster and adoptive
29 families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the
30 1995 Session Laws, any additional funds remaining that were appropriated for this
31 purpose shall be used to provide medical training in avoiding HIV transmission in the
32 home.

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

- 35 (1) \$800.00 per child per month with indeterminate HIV status;
36 (2) \$1,000 per child per month confirmed HIV-infected, asymptomatic;
37 (3) \$1,200 per child per month confirmed HIV-infected, symptomatic; and
38 (4) \$1,600 per child per month terminally ill with complex care needs."

39
40 **CHANGES TO SPECIAL CHILDREN ADOPTION FUND**

41 **SECTION 10.3.** Section 10.31(a) of S.L. 2007-323 reads as rewritten:

42 "**SECTION 10.31.(a)** Of the funds appropriated to the Department of Health and
43 Human Services in this act, the sum of one hundred thousand dollars (\$100,000) shall
44 be used to support the Special Children Adoption Fund for the 2007-2008 and

1 2008-2009 fiscal years. For 2008-2009 an additional one hundred thousand dollars
2 (\$100,000) from the Social Services Block Grant shall be allocated for this purpose. The
3 Division of Social Services, in consultation with the North Carolina Association of
4 County Directors of Social Services and representatives of licensed private adoption
5 agencies, shall develop guidelines for the awarding of funds to licensed public and
6 private adoption agencies upon the adoption of children described in G.S. 108A-50 and
7 in foster care. Payments received from the Special Children Adoption Fund by
8 participating agencies shall be used exclusively to enhance the adoption services. No
9 local match shall be required as a condition for receipt of these funds. In accordance
10 with State rules for allowable costs, the Special Children Adoption Fund may be used
11 for post-adoption services for families whose income exceeds two hundred percent
12 (200%) of the federal poverty level.

13 **SECTION 10.31.(b)** Of the total funds appropriated for the Special Children
14 Adoption Fund each year, twenty percent (20%) of the total funds available shall be
15 reserved for payment to participating private adoption agencies. If the funds reserved in
16 this subsection for payments to private agencies have not been spent on or before March
17 31, 2008, the Division of Social Services may reallocate those funds, in accordance with
18 this section, to other participating adoption agencies.

19 **SECTION 10.31.(c)** The Division of Social Services shall monitor the total
20 expenditures in the Special Children Adoption Fund and redistribute unspent funds to
21 ensure that the funds are used according to the guidelines established in subsection (a)
22 of this section. The Division shall implement strategies to ensure that funds that have
23 historically reverted for this program are used for the intended purpose."
24

25 **CHANGES TO AIDS DRUG ASSISTANCE PROGRAM**

26 **SECTION 10.4.** Section 10.26 of S.L. 2007-323 is amended by adding a
27 new subsection to read:

28 **"AIDS DRUG ASSISTANCE PROGRAM**

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

38 (b) For the 2008-2009 fiscal year, the Department may adjust the financial
39 eligibility criterion of the ADAP up to an amount not exceeding three hundred percent
40 (300%) of the federal poverty level in order to serve as many eligible North Carolinians
41 living with HIV disease as possible within existing resources plus any new federal
42 resources. If a waiting list develops as a result of the eligibility criterion being raised,
43 the Department shall give priority on the waiting list to those individuals at or below
44 one hundred twenty-five percent (125%) of the federal poverty level."

CHANGES TO MEDICAL EXAMINER JURISDICTION

SECTION 10.5. Article 16 of Chapter 130A of the General Statutes reads as rewritten:

"§ 130A-383. Medical examiner jurisdiction.

(a) Upon the death of any person resulting from violence, poisoning, accident, suicide or homicide; occurring suddenly when the deceased had been in apparent good health or when unattended by a physician; occurring in a jail, prison, correctional ~~institution~~ institution, State facilities operated in accordance with G.S. 122C, Article 4, Part 5 or in police custody; occurring pursuant to Article 19 of Chapter 15 of the General Statutes; or occurring under any suspicious, unusual or unnatural circumstance, the medical examiner of the county in which the body of the deceased is found shall be notified by a physician in attendance, hospital employee, law-enforcement officer, funeral home employee, emergency medical technician, relative or by any other person having suspicion of such a death. No person shall disturb the body at the scene of such a death until authorized by the medical examiner unless in the unavailability of the medical examiner it is determined by the appropriate law enforcement agency that the presence of the body at the scene would risk the integrity of the body or provide a hazard to the safety of others. For the limited purposes of this Part, expression of opinion that death has occurred may be made by a nurse, an emergency medical technician or any other competent person in the absence of a physician."

CHANGES TO REPORT REQUIRED UPON DEATH OF CLIENT

SECTION 10.6. G.S. 122C-31 is amended by adding a new subsection to read:

"§ 122C-31. Report required upon death of client.

(g) In addition to the reporting requirements specified in (a)-(e) of this section and pursuant to G.S. 130A-383, State facilities shall report the death of any client of the facility, regardless of the manner of death, to the medical examiner of the county in which the body of the deceased is found.

CHANGES TO SCREENING OF NEWBORNS FOR METABOLIC AND OTHER HEREDITARY AND CONGENITAL DISORDERS

SECTION 10.7. Chapter 130A-125(c) reads as rewritten:

"§ 130A-125. Screening of newborns for metabolic and other hereditary and congenital disorders.

(c) A fee of ~~fourteen dollars (\$14.00)~~ seventeen dollars and forty-five cents (\$17.45) applies to a laboratory test performed by the State ~~Public Health~~ Laboratory of Public Health ~~performed~~ pursuant to this section. Fees collected shall remain in the Department to be used to offset the cost of the Newborn Screening ~~Program~~ and shall be assessed for all specimens of the non-Medicaid eligible population. The Director of the State Laboratory of Public Health shall review the fee annually, and each time a new test is added to the Newborn Screening Program, to determine if an increase is necessary to cover the laboratory's newborn screening costs. If the actual cost to

1 perform newborn screening exceeds the amount of the fee authorized under this section,
2 then the Department shall recommend an increase in the fee for consideration by the
3 Director of the Budget and the North Carolina General Assembly."

4
5 **CHANGES TO ASBESTOS CONTAINING MATERIAL REMOVAL PERMIT**
6 **FEES**

7 **SECTION 10.8.** G. S. 130A-450 is amended by adding a new subsection to
8 read:

9 **"§ 130A-450. Asbestos containing material removal permit fees.**

10 (a) The Department shall establish and collect an application fee for asbestos
11 containing material removal permits to support the asbestos hazard management
12 program. The fee shall not exceed one percent (1%) of the contracted price or twenty
13 cents (\$.20) per square foot or linear foot of asbestos containing material to be removed,
14 whichever is greater.

15 (b) Notwithstanding the provisions of subsection (a) of this section, the
16 application fee for asbestos containing material removal prior to demolition shall be one
17 percent (1%) of the contracted price or twenty cents (\$.20) per square foot or linear foot
18 of asbestos containing material to be removed, whichever is greater, but shall not
19 exceed five thousand dollars (\$5,000.00)."

20
21 **REPEAL VISION CARE PROGRAM**

22 **SECTION 10.9.** G.S. 130A-440.1 is repealed.

23
24 **PROTECT THE HEALTH OF EMPLOYEES OF POULTRY PROCESSING**
25 **PLANTS BY AUTHORIZING THE STATE HEALTH DIRECTOR TO**
26 **INSPECT THE PLANTS**

27 **SECTION 10.10.** Article 16 of Chapter 95 is amended by adding a new
28 section to read:

29 **"§ 95-136.2. Inspection of Poultry Processing Plants.**

30 (a) The following definitions shall apply throughout this section:

- 31 (1) "Poultry Processing Plant" means an entity that processes poultry in
32 this State.
33 (2) "Large Processing Plant" means an entity that processes poultry and
34 employs more than 500 employees in this State.
35 (3) "State Health Director" means the person appointed pursuant to
36 G.S. 130A-3 or the director's designee.
37 (4) "Licensed Medical Professional" means a physician licensed to
38 practice medicine in this State, or a registered nurse, a licensed
39 practical nurse, a nurse practitioner, or a physician's assistant licensed
40 to practice in this State acting under the supervision of a physician
41 licensed to practice medicine in this State.

42 (b) Without abrogating the authority of the Commissioner, the State Health
43 Director is delegated the authority of the Commissioner to inspect poultry processing
44 plants pursuant to this Article. The purpose of the inspection shall be to review and

1 investigate the medical evaluation, treatment, referral, record keeping, reporting and
2 possible causes of injuries, illnesses, or deaths within the poultry processing plant. The
3 State Health Director shall provide a written report to the Director of OSHA with the
4 findings of the inspection, including any deficiencies found. The Director of OSHA
5 shall review the report and shall take appropriate action to correct any deficiencies or
6 violations.

7 (c) The State Health Director shall have all powers to inspect the poultry
8 processing plant under G.S. 95-136, including, but not limited to, full and immediate
9 access to any part of the poultry processing plant, the ability to question privately any
10 employer, owner, operator, agent or employee and full and immediate access to any and
11 all records. If access is denied, an administrative search warrant shall be obtained
12 pursuant to G.S. 15-27.2.

13 (d) The State Health Director shall be permitted to examine, review, and obtain a
14 copy of all records, reports, or other materials maintained by the Department of Labor
15 pursuant to this Article. The Commissioner or Director shall be permitted to examine,
16 review, and obtain a copy of all records, reports, or other materials maintained by the
17 State Health Director pursuant to this Article.

18 (e) In addition to complying with existing OSHA record-keeping requirements,
19 poultry processing plants shall maintain a written log of all injuries and health concerns,
20 including complaints of pain, whether or not such complaints reach any other threshold.
21 This log shall include the name of the employee, the description of the injury or illness,
22 the date that the symptom was first noticed, any action taken by the licensed medical
23 professional or the plant management in response to the report, and the outcome of such
24 treatment or referral. Employees are free to report, and the employer shall not
25 discourage, threaten, or prevent employees from reporting, the information required by
26 this section.

27 (f) Effective September 1, 2008, any large poultry processing plant shall employ
28 or contract with a licensed medical professional(s) who will be available on a regular
29 basis at the plant to provide the evaluation, treatment, and referral of employees who are
30 injured or become ill during operating hours of the plant or as a result of work
31 performed at the facility.

32 (g) The State Health Director shall make an annual report to the Governor, to the
33 Speaker of the House of Representatives, the President Pro Tempore of the Senate and
34 the Commissioner of Labor on the findings of the inspection program, including any
35 recommendations for additional legislation, regulation, or enforcement measures
36 necessary to protect the health of workers in poultry processing plants."

37 38 **HOUSING FOR MH/DD/SAS CONSUMERS**

39 **SECTION 10.11.** Of the funds appropriated in this act to the Mental Health
40 Trust Fund, the Department of Health and Human Services shall use the sum of four
41 million dollars (\$4,000,000) to strengthen the capacity the of the LMEs and the provider
42 network to sustain and expand supportive housing opportunities for MH/DD/SAS
43 consumers. In allocating these funds, the Department of Health and Human Services
44 shall factor in the relative needs and strengths of the Local Management Entity (LME)

1 catchment areas in the area of housing services and supports and shall allocate the funds
2 in proportion to the needs and strengths of the LMEs.

3 4 **CRISIS SERVICES FUNDS**

5 **SECTION 10.12.** Notwithstanding G. S. 122C-112.1(b)(7), the Secretary
6 may contract with one or more private providers or other public agencies to deliver
7 expanded crisis services for which funding is appropriated in this act. The General
8 Assembly supports the plan developed by the Secretary to phase in the creation of
9 regional management entities over three years through voluntary merger and partnership
10 arrangements among LMEs. The plan, which will be implemented in a single state
11 facility catchment area at a time, will result in the creation of up to eight regional
12 entities serving a total population of at least one million. The Secretary may allocate the
13 expanded crisis services funding appropriated in this act to regional management
14 entities as they are developed.

15 16 **CRISIS AND ACUTE CARE SERVICES**

17 **SECTION 10.13.** Section 10.49(s5) of S. L. 2007-323 reads as rewritten:

18 "SECTION 10.49.(s5) The budgets for the State psychiatric hospitals shall not be
19 reduced during the 2007-2008 and 2008-2009 fiscal ~~year~~ years as a result of the pilot
20 developed under subsection (s1) of this section. However, those budgets shall be
21 adjusted in following years to reflect the previous year's use by the LMEs participating
22 in the pilot program."

23 24 **CHANGES TO STRENGTHEN THE SERVICES NETWORK**

25 **SECTION 10.14.** Section 10.49(y) of S. L. 2007-323 reads as rewritten:

26 "SECTION 10.49.(y) Not later than September 1, 2007, the Department of Health
27 and Human Services shall designate two additional local management entities to receive
28 all State allocations through single stream funding. The Department shall develop clear
29 standards for how an LME qualifies for single stream funding and shall award single
30 stream funding to any other LME that meets those standards within the 2007-2008 and
31 2008-2009 fiscal years. These standards shall be developed and implemented not later
32 than October 1, 2007. In addition to the LMEs designated by the Department, the
33 Piedmont, New River, Smoky Mountain, Guilford, Sandhills, Five County, and
34 Mecklenburg LMEs shall continue to receive State allocations through single stream
35 funding. The Department is authorized to remove the designation of an LME if it is not
36 in compliance with the performance contract. The Department may adopt temporary
37 rules in accordance with Chapter 150B of the General Statutes in order to implement the
38 standards required by this subsection by October 1, 2007."

39 40 **CHANGES TO FILLING SERVICE GAPS**

41 **SECTION 10.15.** Section 10.29(ee) of S.L. 2007-323 reads as rewritten:

42 "SECTION 10.49.(ee) For the purpose of avoiding overutilization of community
43 support services and overexpenditure of funds for these services, the Department of
44 Health and Human Services shall immediately conduct an in-depth evaluation of the use

1 and cost of community support services to identify existing and potential areas of
2 overutilization and overexpenditure. The Department shall also adopt or revise as
3 necessary management policies and practices that will ensure that at a minimum:

- 4 (1) There is in place a list of community support services that are
5 appropriate to meet the critical needs of the client and are cost
6 effective;
- 7 (2) Community support services are appropriately utilized based on the
8 critical needs of the client, and utilization is monitored routinely to
9 ensure against overutilization;
- 10 (3) That expenditures for services are controlled to the maximum extent
11 possible without unnecessarily impairing service quality and
12 efficiency;
- 13 (4) Service providers are fully competent to provide each service, to
14 provide the service in the most efficient manner, and that services and
15 providers meet standards of protocol adopted by the Department. To
16 this end, endorsement shall be based on compliance with: a Medicaid
17 service-specific checklist, rules for Mental Health, Developmental
18 Disabilities, and Substance Abuse Services, client rights rules in
19 community Mental Health, Developmental Disabilities, and Substance
20 Abuse Services, the Medicaid service records manual, and other
21 Medicaid requirements as stipulated in the participation agreement
22 with the Division of Medical Assistance. In accordance with
23 G.S. 122C-115.4, an LME may remove a provider's endorsement;
- 24 (5) All community support services are subject to prior approval; and the
25 LME may participate in the development of the person-centered plan
26 as part of its care coordination and quality management function as
27 defined in G.S. 122C-115.4; ~~after the initial assessment and~~
28 ~~development of a person-centered plan has been completed;~~
- 29 (6) Providers are limited to four hours of community support for adults
30 and eight hours of community support for children to develop the
31 person-centered plan. Those hours shall be provided only by a
32 qualified professional. Providers that determine that additional hours
33 are needed must seek and obtain prior approval. If additional hours are
34 authorized, the LME may participate in the development of the
35 person-centered plan as part of its care coordination and quality
36 management function as defined in G.S. 122C-115.4.
- 37 (7) Based on standards of care and practice, a stringent clinical review
38 process for authorization of services is implemented uniformly and in
39 accordance with State guidelines;
- 40 (8) Additional record audits of providers are conducted on a routine basis
41 to continually ensure compliance with Medicaid requirements;
- 42 (9) Post-payment clinical reviews are conducted at the local level to
43 ensure that consumers receive the appropriate level and intensity of
44 care;

- 1 (10) Beginning October 1, 2007, and monthly thereafter, report to the
2 Senate Appropriations Committee on Health and Human Services, the
3 House of Representatives Appropriations Subcommittee on Health and
4 Human Services, and the Joint Legislative Oversight Committee on
5 Mental Health, Developmental Disabilities, and Substance Abuse
6 Services. The report shall include the following:
7 a. The number of consumers of community support services by
8 month, segregated by adult and child;
9 b. The number of units of community support services billed and
10 paid by month, segregated by adult and child;
11 c. The amount paid for community support by month, segregated
12 by adult and child;
13 d. Of the numbers provided in sub-subdivision b. of this
14 subdivision, identify those units provided by a qualified
15 professional and those provided by a paraprofessional;
16 e. The length of stay in community support, segregated by adult
17 and child;
18 f. The number of clinical post payment reviews conducted by
19 LMEs and a summary of those findings;
20 g. The total number of community support providers and the
21 number of newly enrolled, re-enrolled, or terminated providers,
22 and if available, reasons for termination;
23 h. The number of community support providers that have been
24 referred to DMA's Program Integrity Section, the Division's
25 "Rapid Action response" committee; or the Attorney General's
26 Office;
27 i. The utilization of other, newly enhanced mental health services,
28 including the number of consumers served by month, the
29 number of hours billed and paid by month, and the amount
30 expended by month;
- 31 (11) If possible, modify the Medicaid claims payment processing system so
32 that providers will be required to identify, by claim, whether the
33 service was provided by a qualified professional or a paraprofessional;
34 and
- 35 (12) The Department of Health and Human Services and the Department of
36 Public Instruction shall amend their Memorandum of Agreement to
37 ensure that each local education agency develops its own list of
38 approved providers and individual service providers authorized to
39 provide services on campus as provided under the Federal Safe
40 Schools Act.

41 The Department shall report not later than November 1, 2007, on the list of
42 community support services determined to be appropriate. Not later than March 1, 2008,
43 the Department shall provide a detailed report on the implementation and status of each
44 of the activities required by this subsection to the Joint Legislative Oversight Committee

1 on Mental Health, Developmental Disabilities, and Substance Abuse Services, the
2 Senate Appropriations Committee on Health and Human Services, the House of
3 Representatives Appropriations Subcommittee on Health and Human Services, and the
4 Fiscal Research Division. The report shall also include clear standards for determining
5 local management entity capability to perform utilization review and utilization
6 management and clear statewide standards for utilization review and utilization
7 management. These standards shall include (i) determination of medical necessity; (ii)
8 an authorization process that includes the use of standardized forms; (iii) concurrent
9 review procedures; (iv) recipient appeals process; (v) minimum staffing requirements;
10 (vi) requirements for data collection and reporting; and (vi) performance criteria for the
11 LMEs and outside vendor.

12 In order to ensure full compliance with the laws of this State on the implementation
13 of mental health reform, the Department shall, by January 1, 2008, adopt statewide
14 standardized authorization procedures and processes for Medicaid utilization review.
15 Before July 1, 2008, (i) up to six LMEs that meet those standards (not including LMEs
16 approved for 1915(b) waivers) may, under contract with the outside vendor, complete
17 the utilization review process for enhanced benefit and CAP MR/DD services for the
18 LMEs' respective catchment areas; (ii) the Department shall have a process outlined that
19 would enable all other LMEs to meet the standards required for completing the
20 utilization review process under contract with the outside vendor; (iii) the Department
21 shall report on the implementation of utilization review, including the utilization review
22 process, subcontract details, and funding levels, to the Joint Legislative Oversight
23 Committee on Mental Health, Developmental Disabilities, and Substance Abuse
24 Services, the House of Representatives Appropriations Subcommittee on Health and
25 Human Services, the Senate Appropriations Committee on Health and Human Services,
26 and the Fiscal Research Division. The Department shall ensure that all Medicaid
27 utilization review contracts with outside vendors, as required under this subsection, that
28 are executed, renewed, or extended after the effective date of this act, are in compliance
29 with and do not impair, interfere with, or otherwise prohibit the implementation of this
30 subsection. Prior to renewing, extending, or entering into a contract with an outside
31 vendor for utilization review under this subsection, the Department shall consult with
32 the Joint Legislative Oversight Committee on Mental Health, Developmental
33 Disabilities, and Substance Abuse Services."

34 35 **CHANGES TO CHILD CARE FUNDS MATCHING REQUIREMENT**

36 **SECTION 10.16.** Section 10.17 of S. L. 2007-323 reads as rewritten:

37 **"SECTION 10.17.(a)** No local matching funds may be required by the Department
38 of Health and Human Services as a condition of any locality's receiving its initial
39 allocation of child care funds appropriated by this act unless federal law requires a
40 match. If the Department reallocates additional funds above twenty-five thousand
41 dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local
42 purchasing agencies must provide a fifteen percent (15%) local match to receive the
43 reallocated funds. Matching requirements shall not apply when funds are allocated
44 because of a disaster as defined in G.S. 166A-4(1).

1 **SECTION 10.17.(b)** If funds are reallocated to local purchasing agencies in
2 accordance with subsection (a) of this section, the Department of Health and Human
3 Services shall evaluate the ~~fifteen percent (15%)~~ twenty percent (20%) local matching
4 requirement to determine its effect on local purchasing agencies and whether the
5 matching requirement should be adjusted. The Department shall report its findings and
6 recommendations to the House of Representatives Appropriations Subcommittee on
7 Health and Human Services, the Senate Appropriations Committee on Health and
8 Human Services, and the Fiscal Research Division no later than April 1, 2008."

9
10 **CHANGES TO MEDICAID MEDICAL POLICY**

11 **SECTION 10.17.** Section 10.36(b) and (d) of S. L. 2007-323 reads as
12 rewritten:

13 **"SECTION 10.36.(b)** Policy. –

- 14 (1) Volume purchase plans and single source procurement. – The
15 Department of Health and Human Services, Division of Medical
16 Assistance, may, subject to the approval of a change in the State
17 Medicaid Plan, contract for services, medical equipment, supplies, and
18 appliances by implementation of volume purchase plans, single source
19 procurement, or other contracting processes in order to improve cost
20 containment.
- 21 (2) Cost-containment programs. – The Department of Health and Human
22 Services, Division of Medical Assistance, may undertake
23 cost-containment programs, including contracting for services,
24 preadmissions to hospitals, and prior approval for certain outpatient
25 surgeries before they may be performed in an inpatient setting.
- 26 (3) Fraud and abuse. – The Division of Medical Assistance, Department of
27 Health and Human Services, shall provide incentives to counties that
28 successfully recover fraudulently spent Medicaid funds by sharing
29 State savings with counties responsible for the recovery of the
30 fraudulently spent funds.
- 31 (4) Medical policy. – Unless required for compliance with federal law, the
32 Department shall not change medical policy or policy interpretation
33 affecting the amount, sufficiency, duration, and scope of health care
34 services and who may provide services until the Division of Medical
35 Assistance has prepared a five-year fiscal analysis documenting the
36 increased cost of the proposed change in medical policy or policy
37 interpretation and submitted it for Departmental review. If the fiscal
38 impact indicated by the fiscal analysis for any proposed medical policy
39 or policy interpretation change exceeds three million dollars
40 (\$3,000,000) in total requirements for a given fiscal year, then the
41 Department shall submit the proposed medical policy or policy
42 interpretation change with the fiscal analysis to the Office of State
43 Budget and Management and the Fiscal Research Division. The
44 Department shall not implement any proposed medical policy or policy

1 interpretation change exceeding three million dollars (\$3,000,000) in
2 total requirements for a given fiscal year unless the source of State
3 funding is identified and approved by the Office of State Budget and
4 Management. For medical policy or policy interpretation changes
5 exceeding three million dollars (\$3,000,000) in total requirements for a
6 given fiscal year that are required for compliance with federal law, the
7 Department shall submit the proposed medical policy or policy
8 interpretation change with the fiscal analysis to the Office of State
9 Budget and Management prior to implementing the change. The
10 Department shall provide the Office of State Budget and Management
11 and the Fiscal Research Division a quarterly report itemizing all
12 medical policy and policy interpretation changes with total
13 requirements of less than three million dollars (\$3,000,000).

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

- 20 (1) Hospital inpatient.
- 21 (2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a
22 prospective reimbursement plan as established by the Department of
23 Health and Human Services.
- 24 (3) Nursing facilities. – Nursing facilities providing services to Medicaid
25 recipients who also qualify for Medicare must be enrolled in the
26 Medicare program as a condition of participation in the Medicaid
27 program. State facilities are not subject to the requirement to enroll in
28 the Medicare program. Residents of nursing facilities who are eligible
29 for Medicare coverage of nursing facility services must be placed in a
30 Medicare-certified bed. Medicaid shall cover facility services only
31 after the appropriate services have been billed to Medicare.
- 32 (4) Physicians, certified nurse midwife services, certified registered nurse
33 anesthetists, nurse practitioners. – Fee schedules as developed by the
34 Department of Health and Human Services.
- 35 (5) Community Alternative Program, EPSDT Screens. – Payments in
36 accordance with rate schedule developed by the Department of Health
37 and Human Services.
- 38 (6) Home health and related services, durable medical equipment. –
39 Payments according to reimbursement plans developed by the
40 Department of Health and Human Services.
- 41 (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.
- 42 (8) Rural health clinical services. – Provider-based, reasonable cost;
43 nonprovider-based, single-cost reimbursement rate per clinic visit.

- 1 (9) Family planning. – Negotiated rate for local health departments. For
2 other providers see specific services, e.g., hospitals, physicians.
- 3 (10) Independent laboratory and X-ray services. – Uniform fee schedules as
4 developed by the Department of Health and Human Services.
- 5 (11) Ambulatory surgical centers.
- 6 (12) Private duty nursing, clinic services, prepaid health plans.
- 7 (13) Intermediate care facilities for the mentally retarded.
- 8 (14) Chiropractors, podiatrists, optometrists, dentists.
- 9 (15) Limitations on Dental Coverage. – Dental services shall be provided
10 on a restricted basis in accordance with criteria adopted by the
11 Department to implement this subsection.
- 12 (16) Medicare Buy-In. – Social Security Administration premium.
- 13 (17) Ambulance services. – Uniform fee schedules as developed by the
14 Department of Health and Human Services. Public ambulance
15 providers will be reimbursed at cost.
- 16 (18) Optical supplies. – Payment for materials is made to a contractor in
17 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing
18 providers are negotiated fees established by the State agency based on
19 industry charges.
- 20 (19) Medicare crossover claims. – The Department shall apply Medicaid
21 medical policy to Medicare claims for dually eligible recipients. The
22 Department shall pay an amount up to the actual coinsurance or
23 deductible or both, in accordance with the State Plan, as approved by
24 the Department of Health and Human Services. The Department may
25 disregard application of this policy in cases where application of the
26 policy would adversely affect patient care.
- 27 (20) Physical therapy, occupational therapy, and speech therapy. – Services
28 limited to EPSDT-eligible children. Payments are to be made only to
29 qualified providers at rates negotiated by the Department of Health and
30 Human Services. Physical therapy, occupational therapy, and speech
31 therapy services are subject to prior approval and utilization review.
- 32 (21) Personal care services. – Payment in accordance with the State Plan
33 developed by the Department of Health and Human Services.~~Effective~~
34 ~~October 1, 2007, the Department of Health and Human Services shall~~
35 ~~impose prior authorization on all personal care services. Criteria for~~
36 ~~prior authorization shall be developed in consultation with the~~
37 ~~Physician Advisory Group of the North Carolina Medical Society and~~
38 ~~shall include a requirement that a determination and notification of~~
39 ~~approval or denial of personal care services shall be made within seven~~
40 ~~working days of receipt of the prior authorization request. The~~
41 ~~Department shall provide periodic data on recipients of personal care~~
42 ~~services to Community Care of North Carolina. Community Care of~~
43 ~~North Carolina shall assist the Department in assessing personal care~~
44 ~~services for medical necessity. The Department shall report on the~~

1 implementation of prior authorization of all personal care services to
2 the House of Representatives Appropriations Subcommittee on Health
3 and Human Services, the Senate Appropriations Committee on Health
4 and Human Services, and the Fiscal Research Division by May 1,
5 2008. The report on implementation of prior authorization shall
6 address the following:

- 7 a. ~~Criteria for prior authorization developed in consultation with~~
8 ~~the North Carolina Physician Advisory Group.~~
- 9 b. ~~Policies and procedures for the prior authorization program.~~
- 10 c. ~~Use of the Uniform Screening Tool and the Integrated~~
11 ~~Assessment Tool for Medicaid Long Term Care Services in~~
12 ~~determining the need for personal care services.~~
- 13 d. ~~Cost of implementing a prior authorization system.~~
- 14 e. ~~Estimated costs savings from the implementation of a prior~~
15 ~~authorization system for personal care services.~~
- 16 (22) Case management services. – Reimbursement in accordance with the
17 availability of funds to be transferred within the Department of Health
18 and Human Services.
- 19 (23) Hospice.
- 20 (24) Medically necessary prosthetics or orthotics. – In order to be eligible
21 for reimbursement, providers must be licensed or certified by the
22 occupational licensing board or the certification authority having
23 authority over the provider's license or certification. Medically
24 necessary prosthetics and orthotics are subject to prior approval and
25 utilization review.
- 26 (25) Health insurance premiums.
- 27 (26) Medical care/other remedial care. – Services not covered elsewhere in
28 this section include related services in schools; health professional
29 services provided outside the clinic setting to meet maternal and infant
30 health goals; and services to meet federal EPSDT mandates.
- 31 (27) Pregnancy-related services. – Covered services for pregnant women
32 shall include nutritional counseling, psychosocial counseling, and
33 predelivery and postpartum home visits by maternity care coordinators
34 and public health nurses.
- 35 (28) Drugs. – Reimbursements. Reimbursements shall be available for
36 prescription drugs as allowed by federal regulations plus a professional
37 services fee per month, excluding refills for the same drug or generic
38 equivalent during the same month. Payments for drugs are subject to
39 the provisions of this subdivision or in accordance with the State Plan
40 adopted by the Department of Health and Human Services, consistent
41 with federal reimbursement regulations. Payment of the professional
42 services fee shall be made in accordance with the State Plan adopted
43 by the Department of Health and Human Services, consistent with
44 federal reimbursement regulations. The professional services fee shall

1 be five dollars and sixty cents (\$5.60) per prescription for generic
2 drugs and four dollars (\$4.00) per prescription for brand-name drugs.
3 Adjustments to the professional services fee shall be established by the
4 General Assembly. In addition to the professional services fee, the
5 Department may pay an enhanced fee for pharmacy services.

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

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

40 Prior authorization. – The Department of Health and Human
41 Services shall not impose prior authorization requirements or other
42 restrictions under the State Medical Assistance Program on
43 medications prescribed for Medicaid recipients for the treatment of (i)
44 mental illness, including but not limited to, medications for

1 schizophrenia, bipolar disorder, or (ii) HIV/AIDS, except that the
2 Department of Health and Human Services shall continually review
3 utilization of medications under the State Medical Assistance Program
4 prescribed for Medicaid recipients for the treatment of mental illness,
5 including but not limited to, medications for schizophrenia, bipolar
6 disorder, or major depressive disorder. For individuals 18 years of age
7 and under who are prescribed three or more psychotropic medications,
8 the Department shall implement clinical edits that target inefficient,
9 ineffective, or potentially harmful prescribing patterns. When such
10 patterns are identified, the Medical Director for the Division of
11 Medical Assistance and the Chief of Clinical Policy for the Division of
12 Mental Health, Developmental Disabilities, and Substance Abuse
13 Services shall require a peer-to-peer consultation with the target
14 prescribers. Alternatives discussed during the peer-to-peer
15 consultations shall be based upon:

- 16 a. Evidence-based criteria available regarding efficacy or safety of
17 the covered treatments; and
- 18 b. Policy approval by a majority vote of the North Carolina
19 Physicians Advisory Group (NCPAG).

20 The target prescriber has final decision-making authority to determine
21 which prescription drug to prescribe or refill.

22 The Department shall report on the implementation of this
23 subdivision not later than January 1, 2008, and quarterly thereafter to
24 the Senate Appropriations Committee on Health and Human Services,
25 the House of Representatives Appropriations Subcommittee on Health
26 and Human Services, the Fiscal Research Division, and the Joint
27 Legislative Oversight Committee on Mental Health, Developmental
28 Disabilities, and Substance Abuse Services.

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

- 31 a. Services as defined by the Division of Mental Health,
32 Developmental Disabilities, and Substance Abuse Services and
33 approved by the Centers for Medicare and Medicaid Services
34 (CMS) when provided in agencies meeting the requirements of
35 the rules established by the Commission for Mental Health,
36 Developmental Disabilities, and Substance Abuse Services and
37 reimbursement is made in accordance with a State Plan
38 developed by the Department of Health and Human Services
39 not to exceed the upper limits established in federal regulations,
40 and
- 41 b. For children eligible for EPSDT services provided by:
 - 42 1. Licensed or certified psychologists, licensed clinical
43 social workers, certified clinical nurse specialists in
44 psychiatric mental health advanced practice, nurse

1 practitioners certified as clinical nurse specialists in
2 psychiatric mental health advanced practice, licensed
3 psychological associates, licensed professional
4 counselors, licensed marriage and family therapists,
5 certified clinical addictions specialists, and certified
6 clinical supervisors, when Medicaid-eligible children are
7 referred by the Community Care of North Carolina
8 primary care physician, a Medicaid-enrolled psychiatrist,
9 or the area mental health program or local management
10 entity, and
11 2. Institutional providers of residential services as defined
12 by the Division of Mental Health, Developmental
13 Disabilities, and Substance Abuse Services and approved
14 by the Centers for Medicare and Medicaid Services
15 (CMS) for children and Psychiatric Residential
16 Treatment Facility services that meet federal and State
17 requirements as defined by the Department.
18 c. For Medicaid-eligible adults, services provided by licensed or
19 certified psychologists, licensed clinical social workers,
20 certified clinical nurse specialists in psychiatric mental health
21 advanced practice, and nurse practitioners certified as clinical
22 nurse specialists in psychiatric mental health advanced practice,
23 licensed psychological associates, licensed professional
24 counselors, licensed marriage and family therapists, licensed
25 clinical addictions specialists, and licensed clinical supervisors,
26 Medicaid-eligible adults may be self-referred.
27 d. Payments made for services rendered in accordance with this
28 subdivision shall be to qualified providers in accordance with
29 approved policies and the State Plan. Nothing in
30 sub-subdivision b. or c. of this subdivision shall be interpreted
31 to modify the scope of practice of any service provider,
32 practitioner, or licensee, nor to modify or attenuate any
33 collaboration or supervision requirement related to the
34 professional activities of any service provider, practitioner, or
35 licensee. Nothing in sub-subdivision b. or c. of this subdivision
36 shall be interpreted to require any private health insurer or
37 health plan to make direct third-party reimbursements or
38 payments to any service provider, practitioner, or licensee.
39 Notwithstanding G.S. 150B-21.1(a), the Department of Health and
40 Human Services may adopt temporary rules in accordance with
41 Chapter 150B of the General Statutes further defining the
42 qualifications of providers and referral procedures in order to
43 implement this subdivision. Coverage policy for services defined by
44 the Division of Mental Health, Developmental Disabilities, and

1 Substance Abuse Services under sub-subdivisions a. and b.2. of this
2 subdivision shall be established by the Division of Medical
3 Assistance."
4

5 **DMA CONTRACT SHORTFALL**

6 **SECTION 10.18.(a)** The funds appropriated to the Department of Health
7 and Human Services, Division of Medical Assistance for the 2008-2009 fiscal year for
8 their contract funding shortfall shall only be used to cover existing contract shortfalls.
9 Budget approval is required by the Office of State Budget and Management prior to the
10 division entering into any new contract or the renewal or amendment of existing
11 contacts that exceed the current contract amounts.

12 **SECTION 10.18.(b)** The Division of Medical Assistance shall make every
13 effort to effect savings within its operational budget and use those savings to offset its
14 contract shortfall. Notwithstanding G.S. 143C-6-4(b)(3), the department may use funds
15 appropriated in this act to the department to cover the contract shortfall in the Division
16 of Medical Assistance if insufficient funds exist within the division.
17

18 **EXPAND SCHIP TO ESTABLISH NC KIDS' CARE PROGRAM**

19 **SECTION 10.19.(a)** Section 10.48 of S.L. 2007-323 reads as rewritten:

20 **"SECTION 10.48.(a)** Of the funds appropriated in this act to the Department of
21 Health and Human Services, Division of Medical Assistance, the sum of three hundred
22 sixty-eight thousand dollars (\$368,000) for the 2007-2008 fiscal year shall be used by
23 the Department of Health and Human Services to produce a report that identifies the
24 most cost-efficient and cost-effective method for developing and implementing a
25 program of comprehensive health care benefits within available funding for children
26 ages 0 through 18 in families with annual incomes between two hundred percent
27 (200%) and three hundred percent (300%) of the federal poverty level. The report shall
28 consider and address the following:

- 29 (1) Congress' reauthorization of the State Children's Health Insurance
30 Program (SCHIP) with respect to:
- 31 a. The amount of federal funds authorized for each of the fiscal
32 years covered in the reauthorization;
 - 33 b. The number of fiscal years that federal funding awarded to the
34 states remains available to each state;
 - 35 c. The adequacy of the formula by which federal funds are
36 distributed to the states; and
 - 37 d. The ability of states to expand SCHIP coverage to children
38 whose family incomes exceed two hundred percent (200%) of
39 the federal poverty level.

40 The Department shall determine whether the most effective use of
41 State funds is to develop a program that expands access to health
42 insurance for children whose family income exceeds two hundred
43 percent (200%) of the federal poverty level through NC Health Choice
44 or the State Medical Assistance Program.

- 1 (2) Eligibility and benefits are not an entitlement, are for legal residents of
2 North Carolina, and are subject to availability of State and federal
3 funds, and State and federal requirements.
- 4 (3) The most cost-effective use of limited State funds to offer health care
5 services to children in families between two hundred percent (200%)
6 and three hundred percent (300%) of the federal poverty level.
- 7 (4) Children enrolled in the program must be ineligible for Medicaid,
8 Medicare, or other government-sponsored health insurance. The
9 Department shall study whether children must also be without private
10 health insurance for a specified amount of time, e.g. six months.
- 11 (5) The health care benefits covered in the proposed expansion program
12 shall not exceed the benefits currently covered by the NC Health
13 Choice.
- 14 (6) The establishment of cost-sharing measures for the families of children
15 with an income above two hundred percent (200%) of the federal
16 poverty level, including:
- 17 a. A monthly premium per child that is at an optimal level that
18 simultaneously is affordable, encourages participation by
19 families, controls costs, and provides revenue to reduce the cost
20 of the program to the State. The amount of the premium may
21 increase as income increases above two hundred percent
22 (200%) of the federal poverty level.
- 23 b. Increased co-payments and cost-sharing that are affordable and
24 sufficient to control costs, while not discouraging families from
25 seeking and continuing prescribed treatment for children.
- 26 c. A deductible that is to be applied to certain health care benefits.
- 27 d. A limit on out-of-pocket expenses that is no more than five
28 percent (5%) of family income.
- 29 (7) The establishment of a comprehensive annual benefit limit per child
30 that is no more than the current annual benefit limit under NC Health
31 Choice.
- 32 (8) The most cost-effective and efficient way of administering and
33 managing enrollment in the program and the collection of premiums.
34 This may include having the current administrator of NC Health
35 Choice be the entity to collect premiums, or designating some other
36 benefit management or administrative entity to do so, including the
37 Department.

38 **SECTION 10.48.(b)** Not later than January 1, 2008, the Department shall submit
39 an interim report of its findings and recommendations 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 Commission on Governmental Operations, and the Fiscal Research Division. The
43 Department shall submit its final report not later than February 1, 2008. It is the intent
44 of the General Assembly to review the Department's recommendations before the

1 Department implements a program to expand access to health insurance to children
2 above two hundred percent (200%) of the federal poverty level effective July 1, 2008, or
3 upon approval of all required federal waivers, whichever occurs later level.

4 **SECTION 10.48.(c)** Of the funds appropriated in this act to the Department of
5 Health and Human Services, the sum of ~~seven million dollars (\$7,000,000)~~ three million
6 three hundred sixteen thousand dollars (\$3,316,000) for the 2008-2009 fiscal year shall
7 be used to implement a program to expand access to health insurance to children above
8 two hundred percent (200%) of the federal poverty level effective July 1, 2008, level.
9 These funds may be used to support nonrecurring start-up costs and ongoing
10 administrative and program services expenditures.

11 **SECTION 10.48.(d)** The Department of Health and Human Services, Division of
12 Medical Assistance, shall implement a health care assistance program, NC Kids' Care,
13 to provide health insurance coverage to children in families with incomes above two
14 hundred percent (200%) and not more than two hundred fifty percent (250%) of the
15 federal poverty level, by expanding the Health Insurance Program for Children
16 established under Part 8 of Article 2 of Chapter 108A of the General Statutes. Except as
17 otherwise provided, all the requirements of Part 8 of Article 2 of Chapter 108A of the
18 General Statutes shall apply to the NC Kids' Care program. The Department shall
19 submit any State Child Health Plan amendments required to implement this section.
20 Eligibility for and benefits under this program are not an entitlement and are subject to
21 availability of funds and other changes to State and federal law.

22 **SECTION 10.48.(e)** Eligibility. – The Department may enroll eligible children
23 based on the availability of funds. The following are the eligibility and other
24 requirements for participation in NC Kids' Care. Children must:

- 25 (1) Be between the ages of birth through 18 years of age;
- 26 (2) Be ineligible for Medicaid, Medicare, or other government sponsored
27 health insurance, except that any child covered under
28 G.S. 108A-70.21(g) as of the effective date of this section shall be
29 eligible for participation in NC Kids' Care as provided in Section
30 10.48(o);
- 31 (3) Have been uninsured for three months immediately prior to
32 enrollment; the Department may require a longer uninsured waiting
33 period if required by federal regulations;
- 34 (4) Be in a family whose family income is above two hundred percent
35 (200%) through two hundred fifty percent (250%) of the federal
36 poverty level;
- 37 (5) Be a resident of this State, meet applicable federal citizenship and
38 immigration requirements, and be eligible under federal law; and
- 39 (6) Have paid the monthly premiums required under this section.

40 **SECTION 10.48.(f)** Benefits and Limitations. – Except as otherwise provided in
41 this section for eligibility and cost-sharing requirements, health benefits coverage
42 provided to children eligible for NC Kids' Care shall be the same as coverage provided
43 under Part 8 of Article 2 of Chapter 108A of the General Statutes.

1 SECTION 10.48.(g) Community Care of North Carolina. – The Department of
2 Health and Human Services shall provide services to children enrolled in the NC Kids'
3 Care program through Community Care of North Carolina and shall pay Community
4 Care of North Carolina providers a care management fee for these services as allowed
5 under Medicaid.

6 SECTION 10.48.(h) Cost Sharing. – The Department shall require NC Kids' Care
7 enrollees to contribute to the cost of their care through the use of deductibles,
8 co-payments, and premiums as follows:

9 (1) No annual enrollment fee. – In lieu of an annual enrollment fee, a
10 monthly premium shall be charged for each child or family enrolled in
11 NC Kids' Care. The Department shall establish a procedure for sharing
12 a portion of premium receipts with each county department of social
13 services to cover the cost of determining eligibility for services under
14 NC Kids' Care.

15 (2) Premiums. – The premium amount charged for each child or family
16 shall vary depending on family income. Enrollees shall pay monthly
17 premiums as follows:

18 a. Enrollees whose family income is above two hundred percent
19 (200%) through two hundred twenty-five percent (225%) of the
20 federal poverty level shall pay a monthly premium not to
21 exceed thirty dollars (\$30.00) per child.

22 b. Enrollees whose family income is above two hundred
23 twenty-five percent (225%) through two hundred fifty percent
24 (250%) of the federal poverty level shall pay a monthly
25 premium not to exceed sixty dollars (\$60.00) per child.

26 (3) Co-payments. – NC Kids' Care enrollees shall be responsible for
27 co-payments to providers as follows:

28 a. Ten dollars (\$10.00) per child for each primary care physician
29 visit;

30 b. Twenty-five dollars (\$25.00) per child for each specialty care
31 physician visit;

32 c. Twenty-five dollars (\$25.00) per child for each physical
33 therapy, occupational therapy, or speech therapy visit;

34 d. Thirty dollars (\$30.00) per child for each outpatient hospital
35 visit;

36 e. Fifty dollars (\$50.00) per child for each inpatient hospital visit;

37 f. Twenty dollars (\$20.00) per child for durable medical
38 equipment, except there shall be no co-payment required for
39 diabetic supplies;

40 g. One hundred dollars (\$100.00) for each emergency room visit,
41 except the co-payment is waived if the enrollee is admitted to
42 the hospital;

1 h. One hundred fifty dollars (\$150.00) for each ambulance service,
2 except the co-payment is waived if the enrollee is admitted to
3 the hospital;

4 i. Outpatient prescription drugs, as follows:

5 1. Five dollars (\$5.00) for each generic prescription drug;
6 for each brand-name prescription drug for which there is
7 no generic substitution available, and for each covered
8 over-the-counter medication, and

9 2. Twenty dollars (\$20.00) for each brand-name
10 prescription drug for which there is a generic substitution
11 available.

12 (4) Deductible. – The Department may establish an annual deductible not
13 to exceed two hundred fifty dollars (\$250.00) per child.

14 (5) The Department shall establish maximum annual cost sharing limits
15 per individual or family, provided that the total annual aggregate
16 cost-sharing, including premiums, with respect to all children in a
17 family receiving benefits under this section, shall not exceed five
18 percent (5%) of the family's income for the year involved.

19 **SECTION 10.48.(i)** Enrollment in NC Kids' Care shall not exceed 15,000 children
20 for the 2008-2009 fiscal year.

21 **SECTION 10.48.(j)** The nonfederal costs of NC Kids' Care shall be paid with State
22 funds and enrollee premiums. Counties shall not be required to share in the nonfederal
23 costs of NC Kids' Care.

24 **SECTION 10.48.(k)** Providers of services under NC Kids' Care shall be paid at
25 rates equivalent to Medicaid rates less any applicable co-payments or deductibles.

26 **SECTION 10.48.(l)** Administration of NC Kids' Care shall be in accordance with
27 Part 8 of Article 2 of Chapter 108A of the General Statutes.

28 **SECTION 10.48.(m)** G.S. 108A-70.21(c) reads as rewritten:

29 '(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program
30 coverage for enrollees whose family income is at or below one hundred fifty percent
31 (150%) of the federal poverty level. The enrollment fee for Program coverage for
32 enrollees whose family income is above one hundred fifty percent (150%) through two
33 hundred percent (200%) of the federal poverty level shall be fifty dollars (\$50.00) per
34 year per child with a maximum annual enrollment fee of one hundred dollars (\$100.00)
35 for two or more children. The enrollment fee shall be collected by the county
36 department of social services and retained to cover the cost of determining eligibility for
37 services under the Program. County departments of social services shall establish
38 procedures for the collection of enrollment fees.'

39 **SECTION 10.48.(n)** G.S. 108A-70.21(g) reads as rewritten:

40 '(g) Purchase of Extended Coverage. – An enrollee in the Program who loses
41 eligibility due to an increase in family income above ~~two hundred percent (200%)~~ two
42 hundred fifty percent (250%) of the federal poverty level and up to and including ~~two~~
43 ~~hundred twenty five percent (225%)~~ two hundred seventy-five percent (275%) of the
44 federal poverty level may purchase at full premium cost continued coverage under the

1 Program for a period not to exceed one year beginning on the date the enrollee becomes
2 ineligible under the income requirements for the Program. The ~~same~~ benefits,
3 copayments, and other conditions of enrollment under the Program ~~shall apply~~
4 applicable to extended coverage purchased under this ~~subsection~~. subsection shall be the
5 same as those applicable to an NC Kids' Care enrollee whose family income equals two
6 hundred fifty percent (250%) of the federal poverty level.'

7 **SECTION 10.48.(o)** Enrollees covered under G.S. 108A-70.21(g) prior to the
8 effective date of subsection (n) of this section may choose to continue coverage under
9 that section through the end of their buy-in coverage period or enroll in NC Kids' Care
10 provided they meet the eligibility requirements, pay the applicable premium, and notify
11 their county department of social services within 60 days of receiving notice of their
12 potential eligibility under NC Kids' Care. For any enrollee electing to transfer coverage
13 from the buy-in program to NC Kids' Care, coverage under NC Kids' Care shall become
14 effective the first day of the next month immediately following the month in which they
15 notified their county department of social services of their intent to enroll in NC Kids'
16 Care.

17 **SECTION 10.48.(p)** This section becomes effective January 1, 2009, or upon
18 approval of all State child health plan amendments, whichever is later, and is contingent
19 upon the availability of sufficient federal funding. The Department shall not apply for
20 such amendments until the U. S. Congress acts to reauthorize the State Children's
21 Health Insurance Program with sufficient funding to support the current North Carolina
22 program and the provisions of this section."

23 NC HEALTH CHOICE TRANSITION

24 **SECTION 10.20.(a)** G.S. 135-39.5 reads as rewritten:

25 **"§ 135-39.5. Powers and duties of the Executive Administrator and Board of**
26 **Trustees.**

27 The Executive Administrator and Board of Trustees of the Teachers' and State
28 Employees' Comprehensive Major Medical Plan shall have the following powers and
29 duties:
30

31 ...

32 (23) ~~Implementing and administering a program of child health insurance~~
33 ~~benefits pursuant to Part 5 of this Article.~~

34"

35 **SECTION 10.20.(b)** G.S. 135-39.6 reads as rewritten:

36 **"§ 135-39.6. Special funds created.**

37 (a) There are hereby established two special funds, to be known as the Public
38 Employee Health Benefit Fund and the Health Benefit Reserve Fund for the payment of
39 hospital and medical benefits.

40 All premiums, fees, charges, rebates, refunds or any other receipts including, but not
41 limited to, earnings on investments, occurring or arising in connection with health
42 benefits programs established by this Article, shall be deposited into the Public
43 Employee Health Benefit Fund. Disbursements from the Fund shall include any and all

1 amounts required to pay the benefits and administrative costs of such programs as may
2 be determined by the Executive Administrator and Board of Trustees.

3 Any unencumbered balance in excess of prepaid premiums or charges in the Public
4 Employee Health Benefit Fund at the end of each fiscal year shall be used first, to
5 provide an actuarially determined Health Benefit Reserve Fund for incurred but
6 unrepresented claims, second, to reduce the premiums required in providing the benefits
7 of the health benefits programs, and third to improve the plan, as may be provided by
8 the General Assembly. The balance in the Health Benefits Reserve Fund may be
9 transferred from time to time to the Public Employee Health Benefit Fund to provide for
10 any deficiency occurring therein.

11 The Public Employee Health Benefit Fund and the Health Benefit Reserve Fund
12 shall be deposited with the State Treasurer and invested as provided in G.S. 147-69.2
13 and 147-69.3.

14 (b) Disbursement from the Public Employee Health Benefit Fund may be made
15 by warrant drawn on the State Treasurer by the Executive Administrator, or the
16 Executive Administrator and Board of Trustees may by contract authorize the Claims
17 Processor to draw the warrant.

18 (c) Separate and apart from the special funds authorized by subsections (a) and
19 (b) of this section, there shall be a Public Employee Long-Term Care Benefit Fund if
20 the long-term care benefits provided by Part 4 of this Article are administered on a
21 self-insured basis.

22 ~~(d) Separate and apart from the special funds authorized by subsections (a), (b),
23 and (c) of this section, there shall be a Child Health Insurance Fund. All premium
24 receipts or any other receipts, including earnings on investments, occurring or arising in
25 connection with acute medical care benefits provided under the Health Insurance
26 Program for Children shall be deposited into the Child Health Insurance Fund.
27 Disbursements from the Child Health Insurance Fund shall include any and all amounts
28 required to pay the benefits and administrative costs of the Health Insurance Program
29 for Children as may be determined by the Executive Administrator and Board of
30 Trustees."~~

31 **SECTION 10.20.(c)** G.S. 135-39.6A reads as rewritten:

32 "**§ 135-39.6A. Premiums set.**

33 (a) **(Effective until July 1, 2008)** The Executive Administrator and Board of
34 Trustees shall, from time to time, establish premium rates for the Teachers' and State
35 Employees' Comprehensive Major Medical Plan except as they may be established by
36 the General Assembly in the Current Operations Appropriations Act, and establish
37 regulations for payment of the premiums. Premium rates shall be established for
38 coverages where Medicare is the primary payer of health benefits separate and apart
39 from the rates established for coverages where Medicare is not the primary payer of
40 health benefits.

41 (a) **(Effective July 1, 2008)** The Executive Administrator and Board of Trustees
42 shall, from time to time, establish premium rates for the State Health Plan for Teachers
43 and State Employees except as they may be established by the General Assembly in the
44 Current Operations Appropriations Act, and establish regulations for payment of the

1 premiums. Premium rates shall be established for coverages where Medicare is the
2 primary payer of health benefits separate and apart from the rates established for
3 coverages where Medicare is not the primary payer of health benefits.

4 (b) The Executive Administrator and Board of Trustees shall establish separate
5 premium rates for the long-term care benefits provided by Part 4 of this Article if the
6 benefits are administered on a self-insured basis.

7 ~~(c) The Executive Administrator and Board of Trustees shall establish premium~~
8 ~~rates for benefits provided under Part 5 of this Article. The Department of Health and~~
9 ~~Human Services shall, from State and federal appropriations and from any other funds~~
10 ~~made available for the Health Insurance Program for Children established under Part 8~~
11 ~~of Article 2 of Chapter 108A of the General Statutes, make payments to the Plan as~~
12 ~~determined by the Plan for its administration, claims processing, and other services~~
13 ~~authorized to provide coverage for acute medical care for children eligible for benefits~~
14 ~~provided under Part 5 of this Article.~~

15 (d) In setting premiums for firemen, rescue squad workers, and members of the
16 national guard, and their eligible dependents, the Executive Administrator and Board of
17 Trustees shall establish rates separate from those affecting other members of the Plan.
18 These separate premium rates shall include rate factors for incurred but unreported
19 claim costs, for the effects of adverse selection from voluntary participation in the Plan,
20 and for any other actuarially determined measures needed to protect the financial
21 integrity of the Plan for the benefit of its served employees, retired employees, and their
22 eligible dependents.

23 (e) The total amount of premiums due the Plan from charter schools as
24 employing units, including amounts withheld from the compensation of Plan members,
25 that is not remitted to the Plan by the fifteenth day of the month following the due date
26 of remittance shall be assessed interest of one and one-half percent (1 ½%) of the
27 amount due the Plan, per month or fraction thereof, beginning with the sixteenth day of
28 the month following the due date of the remittance. The interest authorized by this
29 section shall be assessed until the premium payment plus the accrued interest amount is
30 remitted to the Plan. The remittance of premium payments under this section shall be
31 presumed to have been made if the remittance is postmarked in the United States mail
32 on a date not later than the fifteenth day of the month following the due date of the
33 remittance."

34 **SECTION 10.20.(d)** Part 5 of Article 3 of Chapter 135 of the General
35 Statutes reads as rewritten:

36 "Part 5. Health Insurance Program for Children.

37 "**§ 135-42. ~~Undertaking Administration and processing of Program claims.~~**

38 (a) **(Effective until July 1, 2008)** The State of North Carolina undertakes to
39 make available a health insurance program for children (hereinafter called the
40 "Program") to provide comprehensive acute medical care to low-income, uninsured
41 children who are residents of this State and who meet the eligibility requirements
42 established for the Program under Part 8 of Article 2 of Chapter 108A of the General
43 Statutes. The Executive Administrator and Board of Trustees of the North Carolina
44 Teachers' and State Employees' Comprehensive Major Medical Plan (hereinafter called

1 the "Plan") shall administer the Program under this Part and shall carry out their duties
2 and responsibilities in accordance with Parts 2 and 3 of this Article and with applicable
3 provisions of Part 8 of Article 2 of Chapter 108A. The Plan's self-insured indemnity
4 program shall not incur any financial obligations for the Program in excess of the
5 amount of funds that the Plan's self-insured indemnity program receives for the
6 Program.

7 (a) **(Effective July 1, 2008)** The State of North Carolina undertakes to make
8 available a health insurance program for ~~children~~ children, The North Carolina Health
9 Insurance Program for Children, known as North Carolina Health Choice for Children,
10 (hereinafter called the "Program") to provide comprehensive acute medical care to
11 low-income, uninsured children who are residents of this State and who meet the
12 eligibility requirements established for the Program under Part 8 of Article 2 of Chapter
13 108A of the General Statutes. ~~The Executive Administrator and Board of Trustees of the~~
14 ~~State Health Plan for Teachers and State Employees (hereinafter called the "Plan") shall~~
15 ~~administer the Program under this Part and shall carry out their duties and~~
16 ~~responsibilities in accordance with Parts 2 and 3 of this Article and with applicable~~
17 ~~provisions of Part 8 of Article 2 of Chapter 108A. Except as provided in this Part, the~~
18 Program shall be administered by the Department of Health and Human Services in
19 accordance with Part 8 of Article 2 of Chapter 108A of the General Statutes and as
20 required under Title XXI and related federal statutes. The Plan's self-insured indemnity
21 program shall not incur any financial obligations for the Program in excess of the
22 amount of funds that the Plan's self-insured indemnity program receives for the
23 Program.

24 (a1) Notwithstanding any other provision of law, the Secretary of the Department
25 of Health and Human Services shall delegate the responsibility for the administration
26 and processing of claims for benefits provided under the Program to the Executive
27 Administrator and Board of Trustees of the State Health Plan for Teachers and State
28 Employees (hereinafter called the "Plan") until such date, but not later than July 1, 2010,
29 the Secretary determines that the Department is prepared to assume some or all of these
30 responsibilities. In administering the processing of claims for benefits, the Executive
31 Administrator and Board of Trustees shall have the same type of powers and duties as
32 provided for these purposes under the Predecessor Plan. For the purposes of this Part,
33 "Predecessor Plan" means the "North Carolina Teachers' and State Employees'
34 Comprehensive Major Medical Plan in effect prior to July 1, 2008." The claims
35 payments shall be made against accounts maintained by the Department of Health and
36 Human Services. The Executive Administrator and Board of Trustees shall establish
37 premium rates for benefits provided under this Part. The Department of Health and
38 Human Services shall, from State and federal appropriations and from any other funds
39 made available for the Program, make payments to the Plan as determined by the Plan
40 for its administration, claims processing and other services delegated by the Secretary to
41 provide coverage for acute medical care for children eligible for benefits provided under
42 the Program. The Plan shall not incur any financial obligations for the Program in
43 excess of the amount of funds that the Plan receives for the Program.

1 (b) The benefits provided under the Program shall be equivalent to the
2 Predecessor Plan and made available through the Plan pursuant to Articles 2 and 3 of
3 this Chapter and as provided under G.S. 108A-70.21(b) Part 8 of Article 2 of Chapter
4 108A of the General Statutes, and administered by the Plan's Executive Administrator
5 and Board of Trustees. To the extent there is a conflict between the provisions of Part 8
6 of Article 2 of Chapter 108A and the Predecessor Plan and Part 3 of this Article
7 pertaining to eligibility, fees, deductibles, life time maximum benefits, copayments, and
8 other cost-sharing charges, the provisions of Part 8 of Article 2 of Chapter 108A shall
9 control. In administering the benefits provided by this Part, the Executive Administrator
10 and Board of Trustees shall have the same type of powers and duties that are provided
11 under Part 3 of this Article the Predecessor Plan for hospital and medical benefits.

12 (c) The benefits authorized by this Part are available only to children who are
13 residents of this State and who meet the eligibility requirements established for the
14 Program under Part 8 of Article 2 of Chapter 108A of the General Statutes."

15 **SECTION 10.20.(e)** Part 5 of Article 3 of Chapter 135 is amended by
16 adding the following two sections to read:

17 **"§ 135-43. Child health insurance fund.**

18 There is established a Child Health Insurance Fund. All premium receipts or any
19 other receipts, including earnings on investments, occurring or arising in connection
20 with acute medical care benefits provided under the Program shall be deposited into the
21 Child Health Insurance Fund. Disbursements from the Child Health Insurance Fund
22 shall include any and all amounts required to pay the benefits and administrative costs
23 of the Health Insurance Program for Children.

24 **"§ 135-44. Data reporting.**

25 (a) The Executive Administrator and Board of Trustees of the State Health Plan
26 for Teachers and State Employees shall provide to the Department:

- 27 (1) Data as necessary and in sufficient detail to meet federal reporting
28 requirements under Title XXI; and
29 (2) Data showing cost sharing paid by Program enrollees to assist the
30 Department in monitoring and ensuring that enrollees do not exceed
31 cost the Program's sharing limitations.
32 (3) Data as necessary and in sufficient detail to meet the data collections
33 and reporting requirements pursuant to G.S. 108A-70.27."

34 **SECTION 10.20.(f)** G.S. 108A-70.18 reads as rewritten:

35 "Part 8. Health Insurance Program for Children.

36 **"§ 108A-70.18. Definitions.**

37 As used in this Part, unless the context clearly requires otherwise, the term:

- 38 (1) "Comprehensive health coverage" means creditable health coverage as
39 defined under Title XXI.
40 (2) "Family income" has the same meaning as used in determining
41 eligibility for the Medical Assistance Program.
42 (3) "FPL" or "federal poverty level" means the federal poverty guidelines
43 established by the United States Department of Health and Human
44 Services, as revised each April 1.

- 1 (4) "Medical Assistance Program" means the State Medical Assistance
2 Program established under Part 6 of Article 2 of Chapter 108A of the
3 General Statutes.
- 4 (4a) "Predecessor Plan" means the North Carolina Teachers' and State
5 Employees' Comprehensive Major Medical Plan in effect prior to July
6 1, 2009.
- 7 (5) "Program" means The Health Insurance Program for Children
8 established in this Part.
- 9 (6) "State Plan" means the State Child Health Plan for the State Children's
10 Health Insurance Program established under Title XXI.
- 11 (7) "Title XXI" means Title XXI of the Social Security Act, as added by
12 Pub. L. 105-33, 111 Stat. 552, codified in scattered sections of 42
13 U.S.C. (1997).
- 14 (8) "Uninsured" means the applicant for Program benefits is not covered
15 under any private or employer-sponsored comprehensive health
16 insurance plan on the date of enrollment."

17 **SECTION 10.20.(g)** G.S. 108A-70.20 reads as rewritten:

18 **"§ 108A-70.20. Program established.**

19 The Health Insurance Program for Children is established. The Program shall be
20 known as North Carolina Health Choice for Children. The Program shall be
21 administered by the Department of Health and Human Services in accordance with this
22 Part and as required under Title XXI and related federal rules and regulations.
23 ~~Administration of Program benefits and claims processing shall be as provided under~~
24 ~~Part 5 of Article 3 of Chapter 135 of the General Statutes."~~

25 **SECTION 10.20.(h)** G.S. 108A-70.21 reads as rewritten:

26 **"§ 108A-70.21. (Effective until July 1, 2008) Program eligibility; benefits;**
27 **enrollment fee and other cost-sharing; coverage from private plans;**
28 **purchase of extended coverage.**

29 (a) Eligibility. – The Department may enroll eligible children based on
30 availability of funds. Following are eligibility and other requirements for participation
31 in the Program:

32 (1) Children must:

- 33 a. Be between the ages of 6 through 18;
34 b. Be ineligible for Medicaid, Medicare, or other federal
35 government-sponsored health insurance;
36 c. Be uninsured;
37 d. Be in a family whose family income is above one hundred
38 percent (100%) through two hundred percent (200%) of the
39 federal poverty level;
40 e. Be a resident of this State and eligible under federal law; and
41 f. Have paid the Program enrollment fee required under this Part.

42 (2) Proof of family income and residency and declaration of uninsured
43 status shall be provided by the applicant at the time of application for
44 Program coverage. The family member who is legally responsible for

1 the children enrolled in the Program has a duty to report any change in
2 the enrollee's status within 60 days of the change of status.

- 3 (3) If a responsible parent is under a court order to provide or maintain
4 health insurance for a child and has failed to comply with the court
5 order, then the child is deemed uninsured for purposes of determining
6 eligibility for Program benefits if at the time of application the
7 custodial parent shows proof of agreement to notify and cooperate
8 with the child support enforcement agency in enforcing the order.

9 If health insurance other than under the Program is provided to the
10 child after enrollment and prior to the expiration of the eligibility
11 period for which the child is enrolled in the Program, then the child is
12 deemed to be insured and ineligible for continued coverage under the
13 Program. The custodial parent has a duty to notify the Department
14 within 10 days of receipt of the other health insurance, and the
15 Department, upon receipt of notice, shall disenroll the child from the
16 Program. As used in this paragraph, the term "responsible parent"
17 means a person who is under a court order to pay child support.

- 18 (4) Except as otherwise provided in this section, enrollment shall be
19 continuous for one year. At the end of each year, applicants may
20 reapply for Program benefits.

21 (b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles,
22 copayments, and other cost-sharing charges, health benefits coverage provided to
23 children eligible under the Program shall be equivalent to coverage provided for
24 dependents under the Predecessor Plan. ~~North Carolina Teachers' and State Employees'~~
25 ~~Comprehensive Major Medical Plan, including optional prepaid plans.~~

26 In addition to the benefits provided under the Predecessor Plan, the following
27 services and supplies are covered under the Health Insurance Program for Children
28 established under this Part:

- 29 (1) Dental: Oral examinations, teeth cleaning, and scaling twice during a
30 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once
31 during a 12-month period, fluoride applications twice during a
32 12-month period, fluoride varnish, sealants, simple extractions,
33 therapeutic pulpotomies, prefabricated stainless steel crowns, and
34 routine fillings of amalgam or other tooth-colored filling material to
35 restore diseased teeth. No benefits are to be provided for services and
36 materials under this subsection that ~~are not performed by or upon the~~
37 ~~direction of a dentist, doctor, or other professional provider approved~~
38 ~~by the Plan nor for services and materials that~~ do not meet the
39 standards accepted by the American Dental Association.
40
41 (2) Vision: Scheduled routine eye examinations once every 12 months,
42 eyeglass lenses or contact lenses once every 12 months, routine
43 replacement of eyeglass frames once every 24 months, and optical
44 supplies and solutions when needed. Optical services, supplies, and

1 solutions must be obtained from licensed or certified ophthalmologists,
2 optometrists, or optical dispensing laboratories. Eyeglass lenses are
3 limited to single vision, bifocal, trifocal, or other complex lenses
4 necessary for a ~~Plan~~ an enrollee's visual welfare. Coverage for
5 oversized lenses and frames, designer frames, photosensitive lenses,
6 tinted contact lenses, blended lenses, progressive multifocal lenses,
7 coated lenses, and laminated lenses is limited to the coverage for
8 single vision, bifocal, trifocal, or other complex lenses provided by this
9 subsection. Eyeglass frames are limited to those made of zylonite,
10 metal, or a combination of zylonite and metal. All visual aids covered
11 by this subsection require prior ~~approval of the Plan~~ Approval. Upon
12 prior ~~approval by the Plan~~ approval, refractions may be covered more
13 often than once every 12 months.

- 14 (3) Hearing: Auditory diagnostic testing services and hearing aids and
15 accessories when provided by a licensed or certified audiologist,
16 otolaryngologist, or other approved hearing aid ~~specialist approved by~~
17 ~~the Plan~~ Specialist. Prior ~~approval of the Plan~~ is required for hearing
18 aids, accessories, earmolds, repairs, loaners, and rental aids.

19 ~~Effective January 1, 2006, the~~ The Department shall provide services to children
20 enrolled in the NC Health Choice Program through Community Care of North Carolina
21 and shall pay Community Care of North Carolina providers for these services as
22 allowed under Medicaid.

23 (b1) Payments. – Prescription drug providers shall accept as payment in full, for
24 outpatient prescriptions filled, amounts allowable for prescription drugs under
25 Medicaid. For all other providers, ~~effective no later than January 1, 2006,~~ services
26 provided to children enrolled in the Program shall be provided at rates equivalent to ~~one~~
27 ~~hundred fifteen percent (115%) of Medicaid rates, less any co-payments assessed to~~
28 ~~enrollees under this Part. Effective July 1, 2006, services provided to these children~~
29 ~~shall be provided at rates equivalent to one hundred percent (100%) of Medicaid rates,~~
30 ~~less any co-payments assessed to enrollees under this Part. Effective until rates~~
31 ~~equivalent to one hundred fifteen percent (115%) of Medicaid rates become effective,~~
32 ~~providers of services to Program enrollees shall accept as payment in full for services~~
33 ~~rendered the maximum allowable charges under the North Carolina Teachers' and State~~
34 ~~Employees' Comprehensive Major Medical Plan for services less any co-payments~~
35 ~~assessed to enrollees under this Part.~~

36 (c) Annual Enrollment Fee. – There shall be no enrollment fee for Program
37 coverage for enrollees whose family income is at or below one hundred fifty percent
38 (150%) of the federal poverty level. The enrollment fee for Program coverage for
39 enrollees whose family income is above one hundred fifty percent (150%) of the federal
40 poverty level shall be fifty dollars (\$50.00) per year per child with a maximum annual
41 enrollment fee of one hundred dollars (\$100.00) for two or more children. The
42 enrollment fee shall be collected by the county department of social services and
43 retained to cover the cost of determining eligibility for services under the Program.

1 County departments of social services shall establish procedures for the collection of
2 enrollment fees.

3 (d) Cost-Sharing. – There shall be no deductibles, copayments, or other
4 cost-sharing charges for families covered under the Program whose family income is at
5 or below one hundred fifty percent (150%) of the federal poverty level, except that fees
6 for outpatient prescription drugs are applicable and shall be one dollar (\$1.00) for each
7 outpatient generic prescription ~~drug and drug;~~ for each outpatient brand-name
8 prescription drug for which there is no generic substitution ~~available.~~ Available, and for
9 each covered over-the-counter medication. The fee for each outpatient brand-name
10 prescription drug for which there is a generic substitution available is three dollars
11 (\$3.00). Families covered under the Program whose family income is above one
12 hundred fifty percent (150%) of the federal poverty level shall be responsible for
13 copayments to providers as follows:

- 14 (1) Five dollars (\$5.00) per child for each visit to a provider, except that
15 there shall be no copayment required for well-baby, well-child, or
16 age-appropriate immunization services;
- 17 (2) Five dollars (\$5.00) per child for each outpatient hospital visit;
- 18 (3) A one dollar (\$1.00) fee for each outpatient generic prescription ~~drug~~
19 ~~and drug;~~ for each outpatient brand-name prescription drug for which
20 there is no generic substitution ~~available.~~ Available, and for each
21 covered over-the-counter medication. The fee for each outpatient
22 brand-name prescription drug for which there is a generic substitution
23 available is ten dollars (\$10.00).
- 24 (4) Twenty dollars (\$20.00) for each emergency room visit unless:
 - 25 a. The child is admitted to the hospital, or
 - 26 b. No other reasonable care was available as determined by the
27 Department. ~~Claims Processing Contractor of the North Carolina~~
28 ~~Teachers' and State Employees' Comprehensive Major Medical~~
29 ~~Plan.~~

30 Copayments required under this subsection for prescription drugs apply only to
31 prescription drugs prescribed on an outpatient basis.

32 (e) Cost-Sharing Limitations. – The total annual aggregate cost-sharing,
33 including fees, with respect to all children in a family receiving Program benefits under
34 this Part shall not exceed five percent (5%) of the family's income for the year involved.
35 ~~To assist the Department in monitoring and ensuring that the limitations of this~~
36 ~~subsection are not exceeded, the Executive Administrator and Board of Trustees of the~~
37 ~~North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan~~
38 ~~shall provide data to the Department showing cost sharing paid by Program enrollees.~~

39 (f) Coverage From Private Plans. – The Department shall, from funds available
40 for the Program, pay the cost for dependent coverage provided under a private insurance
41 plan for persons eligible for coverage under the Program if all of the following
42 conditions are met:

- 43 (1) The person eligible for Program coverage requests to obtain dependent
44 coverage from a private insurer in lieu of coverage under the Program

1 and shows proof that coverage under the private plan selected meets
2 the requirements of this subsection;

3 (2) The dependent coverage under the private plan is actuarially
4 equivalent to the coverage provided under the Program and the private
5 plan does not engage in the exclusive enrollment of children with
6 favorable health care risks;

7 (3) The cost of dependent coverage under the private plan is the same as
8 or less than the cost of coverage under the Program; and

9 (4) The total annual aggregate cost-sharing, including fees, paid by the
10 enrollee under the private plan for all dependents covered by the plan,
11 do not exceed five percent (5%) of the enrollee's family income for the
12 year involved.

13 The Department may reimburse an enrollee for private coverage under this
14 subsection upon a showing of proof that the dependent coverage is in effect for the
15 period for which the enrollee is eligible for the Program.

16 (g) Purchase of Extended Coverage. – An enrollee in the Program who loses
17 eligibility due to an increase in family income above two hundred percent (200%) of the
18 federal poverty level and up to and including two hundred twenty-five percent (225%)
19 of the federal poverty level may purchase at full premium cost continued coverage
20 under the Program for a period not to exceed one year beginning on the date the enrollee
21 becomes ineligible under the income requirements for the Program. The same benefits,
22 copayments, and other conditions of enrollment under the Program shall apply to
23 extended coverage purchased under this subsection.

24 (h) No State Funds for Voluntary Participation. – No State or federal funds shall
25 be used to cover, subsidize, or otherwise offset the cost of coverage obtained under
26 subsection (g) of this section.

27 (i) No lifetime maximum benefit limit. – Benefits provided to an enrollee in the
28 Program shall not be subject to a maximum lifetime limit."

29 **SECTION 10.20.(i)** G.S. 108A-70.22 is repealed.

30 **SECTION 10.20.(j)** G.S. 108A-70.23 reads as rewritten:

31 **"§ 108A-70.23. Services for children with special needs established; definition;**
32 **eligibility; services; limitation; recommendations; no entitlement.**

33 (a) [Special Needs Services Authorized. –] The Department shall, from federal
34 funds received and State funds appropriated for the Program, pay for services for
35 children with special needs as authorized under this section. As used in this section, the
36 term "children with special needs" or "special needs child" means children who have
37 been diagnosed as having one or more of the following conditions which in the opinion
38 of the diagnosing physician (i) is likely to continue indefinitely, (ii) interferes with daily
39 routine, and (iii) require extensive medical intervention and extensive family
40 management:

41 (1) Birth defect, including genetic, congenital, or acquired disorders;

42 (2) Developmental disability as defined under G.S. 122C-3;

43 (3) Mental or behavioral disorder; or

44 (4) Chronic and complex illnesses.

1 (b) Eligibility for Services. – In order to be eligible for services under this section
2 a special needs child must be enrolled in the Program.

3 (c) Services Provided. – The services authorized to be provided to children
4 eligible under this section are as follows:

5 (1) The same level of services as provided for special needs children under
6 the Medical Assistance Program as authorized in the Current
7 Operations Appropriations Act except that:

8 a. No services for long-term care shall be provided under this
9 section;

10 b. Services for respite care shall be provided only under
11 emergency circumstances; and

12 c. The Department may limit services for special needs children
13 after consultation with the Commission on Children with
14 Special Health Care Needs.

15 (2) Only those services eligible under this section that are not covered or
16 otherwise provided under ~~Part 5 of Article 3 of Chapter 135 of the~~
17 ~~General Statutes~~; the Predecessor Plan.

18 (d) Limitation. – Funds may be expended for services under this section only if
19 the special needs child is enrolled in the Program, the services provided under this
20 section are not provided under ~~Part 5 of Article 3 of Chapter 135 of the General~~
21 ~~Statutes~~; the Predecessor Plan, and the child meets the definition of a special needs child
22 under this section.

23 (e) Case Management Services. – The Department shall develop procedures for
24 the provision of case management services by the Department to eligible special needs
25 children. Case management services shall be developed to ensure to the maximum
26 extent possible that services are provided in the most efficient and effective manner
27 considering the special needs of the child. The cost of providing case management
28 services for children with special needs shall be paid from funds available for services
29 under this section.

30 (f) Recommendations by Commission on Children With Special Health Care
31 Needs. – In implementing this section the Department shall consider the
32 recommendations of the Commission on Children With Special Health Care Needs
33 established under Article 71 of Chapter 143 of the General Statutes. The Department, in
34 consultation with the Commission on Children With Special Health Care Needs shall
35 develop procedures for providing respite care services under emergency circumstances.

36 (g) No Entitlement. – Nothing in this section shall be construed as entitling any
37 person to services under this section."

38 **SECTION 10.20.(k)** G.S. 108A-70.24 is repealed.

39 **SECTION 10.20.(l)** G.S. 108A-70.27 reads as rewritten:

40 "**§ 108A-70.27. Data collection; reporting.**

41 (a) The Department shall ensure that the following data are collected, analyzed,
42 and reported in a manner that will most effectively and expeditiously enable the State to
43 evaluate Program goals, objectives, operations, and health outcomes for children:

44 (1) Number of applicants for coverage under the Program;

- 1 (2) Number of Program applicants deemed eligible for Medicaid;
- 2 (3) Number of applicants deemed eligible for the Program, by income
- 3 level, age, and family size;
- 4 (4) Number of applicants deemed ineligible for the Program and the basis
- 5 for ineligibility;
- 6 (5) Number of applications made at county departments of social services,
- 7 public health departments, and by mail;
- 8 (6) Total number of children enrolled in the Program to date and for the
- 9 immediately preceding fiscal year;
- 10 (7) Total number of children enrolled in Medicaid through the Program
- 11 application process;
- 12 (8) Trends showing the Program's impact on hospital utilization,
- 13 immunization rates, and other indicators of quality of care, and
- 14 cost-effectiveness and efficiency;
- 15 (9) Trends relating to the health status of children;
- 16 (10) Other data that would be useful in carrying out the purposes of this
- 17 Part.

18 (b) The Department shall report annually to the Joint Legislative Health Care
19 Oversight Committee and shall provide a copy of the report to the Joint Appropriations
20 Subcommittees on Health and Human Services. The report shall include:

- 21 (1) Data collected as required under subsection (a) of this section and an
- 22 analysis thereof giving trends and projections for continued Program
- 23 funding;
- 24 (2) Program areas working most effectively and least effectively;
- 25 (3) Performance measures used to ensure Program quality, fiscal integrity,
- 26 ease of access, and appropriate utilization of preventive and medical
- 27 care;
- 28 (4) Effectiveness of system linkages in addressing access, quality of care,
- 29 and Program efficiency;
- 30 (5) Recommended changes in the Program necessary to improve Program
- 31 efficiency and effectiveness;
- 32 (6) Any other information requested by the Committee pertinent to the
- 33 provision of health insurance for children and the implementation of
- 34 the Program.

35 ~~(c) The Executive Administrator and Board of Trustees of the North Carolina~~
36 ~~Teachers' and State Employees' Major Medical Plan ("Plan") shall provide to the~~
37 ~~Department data required under this section that are collected by the Plan. Data shall be~~
38 ~~reported by the Plan in sufficient detail to meet federal reporting requirements under~~
39 ~~Title XXI. The Plan-Department shall report periodically to the Joint Legislative Health~~
40 ~~Care Oversight Committee claims processing data for the Program and any other~~
41 ~~information the Plan-Department or the Committee deems appropriate and relevant to~~
42 ~~assist the Committee in its review of the Program."~~

43 **SECTION 10.20.(m)** G.S. 108A-70.21(b)(1) reads as rewritten:

1 "(b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles,
2 copayments, and other cost-sharing charges, health benefits coverage provided to
3 children eligible under the Program shall be equivalent to coverage provided for
4 dependents under the ~~North Carolina Teachers' and State Employees' Comprehensive~~
5 ~~Major Medical Plan, including optional prepaid plans.~~Predecessor Plan.

6 In addition to the benefits provided under the Plan, the following services and
7 supplies are covered under the Health Insurance Program for Children established under
8 this Part:

9 (1) Dental:

- 10 a. Oral examinations, teeth cleaning, and scaling topical fluoride
11 treatments twice during a 12-month period, full mouth X-rays
12 once every 60 months, supplemental bitewing X-rays showing
13 the back of the teeth once during a 12-month period, ~~fluoride~~
14 ~~applications twice during a 12-month period, fluoride varnish,~~
15 sealants, simple extractions, extractions other than impacted
16 teeth or wisdom teeth, therapeutic pulpotomies, space
17 maintainers, root canal therapy for permanent anterior teeth and
18 permanent first molars, prefabricated stainless steel crowns, and
19 routine fillings of amalgam or other tooth-colored filling
20 material to restore diseased teeth.
- 21 b. Orthognathic surgery to correct functionally impairing
22 malocclusions when orthodontics was approved and initiated
23 while the child was covered by Medicaid and the need for
24 orthognathic surgery was documented in the orthodontic
25 treatment plan.

26 No benefits are to be provided for services and materials under this
27 subsection that ~~are not performed by or upon the direction of a dentist,~~
28 ~~doctor, or other professional provider approved by the Plan nor for~~
29 ~~services and materials that do not meet the standards accepted by the~~
30 American Dental Association."

31 **SECTION 10.20.(n)** The Secretary of the Department of Health and Human
32 Services shall develop and implement a plan for assuming administrative responsibility
33 for the North Carolina Health Choice for Children program by transitioning all
34 administrative oversight and claims processing activities from the Executive
35 Administrator and Board of Trustees of the State Health Plan for Teachers and State
36 Employees to the Division of Medical Assistance no later than July 1, 2010. The
37 Secretary shall report to the Joint Legislative Health Care Oversight Committee and the
38 Committee on Employee Hospital and Medical Benefits and at least 30 days prior to
39 effecting the transition of some or all of the responsibilities for the administration and
40 processing of claims for benefits provided under the North Carolina Health Choice for
41 Children program from the Executive Administrator and Board of Trustees of the State
42 Health Plan for Teachers and State Employees to the Department.

43 **SECTION 10.20.(o)** The Secretary of the Department of Health and Human
44 Services shall develop a plan to ensure operation of the most cost-effective program on

1 a long-term basis, including identifying a new third-party administrator and
2 restructuring the benefits design for the North Carolina Health Choice program, if
3 necessary, and provide a progress report to the General Assembly by May 15, 2009. The
4 following factors should be considered in identifying and evaluating alternatives for a
5 long-term claims processing solution:

- 6 (1) The ability of the State and the amount of time required to realize a
7 return on its investment in the BCBSNC Power MHS system (i.e. the
8 costs to move NCHC claims processing from legacy to MHS).
- 9 (2) The operational efficiency of the BCBSNC Power MHS system as an
10 interim solution.
- 11 (3) The amount of time, transition, and operating costs required to select a
12 new vendor and develop, design, and implement an independent
13 claims processing system for NC Health Choice.
- 14 (4) Likely operational issues and additional costs associated with ensuring
15 "compatibility" of an independent claims processing system with the
16 MMIS replacement system.
- 17 (5) The amount of time, transition, and operating costs required to modify
18 and enhance the core MMIS replacement system to process NC Health
19 Choice claims.
- 20 (6) The impact of decisions related to the benefit structure and coverage
21 policies, including the ability to implement future program changes.
- 22 (7) Any other factors or issues related to ensuring long-term
23 cost-effectiveness and operating efficiency of claims processing and
24 other administrative activities for NC Health Choice

25 **SECTION 10.20.(p)** Sections 10.20(a)-(c) and Sections 10.20(f)-(l) become
26 effective July 1, 2008. Sections 10.20(d) and (e) become effective July 1, 2008, and
27 sunset July 1, 2010. Section 10.20(m) becomes effective January 1, 2009.

28

29 **CHANGES TO NC HEALTH CHOICE ENROLLMENT**

30 **SECTION 10.21.** Section 10.47 of S. L. 2007-323 is repealed.

31

32 **ASSESSMENT PROGRAM**

33 **SECTION 10.22.(a)** Pursuant to guidelines herein established as to the
34 hospitals to be assessed, the basis for and the amount of the assessment, and the use of
35 funds generated by the assessment to support the nonfederal share of supplemental
36 Medicaid payments and DSH payments to hospitals, the Secretary of Health and Human
37 Services shall implement a Medicaid assessment program for hospitals licensed by the
38 State. The assessment shall comply with federal regulations under 42 C.F.R. Part 433,
39 Subpart B.

40 **SECTION 10.22.(b)** The assessment authorized under this section shall be
41 implemented only if all of the following conditions are met:

- 42 (1) The Secretary in consultation with the North Carolina Hospital
43 Association issues a written determination to the hospitals to be
44 assessed that certified public expenditures from hospitals qualified to

1 provide such certifications are insufficient for the State to maintain
2 enhanced Medicaid payments described in the State Medicaid Plan,
3 Attachment 4.19-A, pp. 9-12 and Attachment 4.19-B, Section 2, pp.
4 1a-1d at substantially the same levels of such payments to hospitals for
5 federal fiscal year ending September 30, 2007; and

- 6 (2) The Centers for Medicare and Medicaid Services approves a Medicaid
7 State Plan Amendment authorizing payments to hospitals described in
8 this section.

9 **SECTION 10.22.(c)** From the assessment authorized under this Section the
10 sum of \$40 million shall be allocated to the Medicaid special fund for support of
11 Medicaid program expenditures.

12 **SECTION 10.22.(d)** This section is effective through the federal fiscal year
13 ending September 30, 2010.

14
15 **CHANGES TO FAMILIES PAY PART OF THE COST OF SERVICES UNDER**
16 **THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM**
17 **BASED ON FAMILY INCOME**

18 **SECTION 10.23.** Section 10.45 of S.L. 2007-323 reads as rewritten:

19 **"SECTION 10.45.(a)** Subject to approval from the Centers for Medicare and
20 Medicaid Services (CMS), the Department of Health and Human Services, Division of
21 Medical Assistance, shall develop a schedule of cost-sharing requirements for families
22 of children with incomes above the Medicaid allowable limit to share in the costs of
23 their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives
24 Program for Mental Retardation and Developmentally Disabled) Program and the
25 CAP-C (Community Alternatives Program for Children). The cost-sharing amounts
26 shall be based on a sliding scale of family income and shall take into account the impact
27 on families with more than one child in the CAP programs. In developing the schedule,
28 the Department shall also take into consideration how other states have implemented
29 cost-sharing in their CAP programs. The Division of Medical Assistance may establish
30 monthly deductibles as a means of implementing this cost-sharing. The Department
31 shall provide for at least one public hearing and other opportunities for individuals to
32 comment on the imposition of cost-sharing under the CAP program. Not later than
33 March 1, 2008, the Department shall report on the cost-sharing requirements to the Joint
34 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and
35 Substance Abuse Services and Bridge Funding Needs, and to the Senate Appropriations
36 Committee on Health and Human Services, the House of Representatives
37 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
38 Division. The report shall include a summary of comments the Department has received
39 at the public hearing required under this subsection, and shall also indicate any barriers
40 to implementing the cost-sharing schedule.

41 **SECTION 10.45.(b)** This section becomes effective ~~July 1, 2008, not later than 12~~
42 months after the date on which the replacement Medicaid Management Information
43 System becomes operational and stabilized, for children enrolled in CAP-MR/DD or
44 CAP-C on and after that date. ~~For currently enrolled CAP-MR/DD and CAP-C~~

1 ~~recipients, recipients enrolled prior to the effective date of this section becomes~~
2 ~~effective at shall be subject to the cost-sharing requirements authorized in this section~~
3 ~~beginning with the recipient's first certification period following July 1, 2008; the~~
4 ~~effective date of this section.~~

5 **SECTION 10.45.(c)** ~~The Division of Medical Assistance shall report on use the~~
6 ~~proceeds of any premiums collected from recipients or any savings resulting from the~~
7 ~~implementation of co-payments, deductibles, or coinsurance to offset the costs of~~
8 ~~implementing this section. Any additional receipts or program savings realized due to~~
9 ~~the cost-sharing implemented pursuant to this section. Savings realized from the~~
10 ~~implementation of cost-sharing section shall remain in the CAP-MR/DD and CAP-C~~
11 ~~programs, as applicable, and shall be used to fund additional CAP-MR/DD and CAP-C~~
12 ~~slots. The Department shall submit the a report to the House of Representatives~~
13 ~~Appropriations Subcommittee on Health and Human Services, the Senate~~
14 ~~Appropriations Committee on Health and Human Services, and the Fiscal Research~~
15 ~~Division on or before March 1, 2009. 2009, on its progress in implementing the~~
16 ~~requirements of this section.~~

17 **SECTION 10.45.(d)** Prior to the effective date of this section, the Department of
18 Health and Human Services, Division of Medical Assistance, shall develop the
19 necessary procedures, program policies and business rules, and prepare administrative
20 rules and State Plan Amendments, if applicable, to ensure its readiness to implement the
21 cost-sharing requirements of this section in accordance with subsection (b) of this
22 section."
23

24 APPEALS OF COUNTY LEVEL DECISIONS

25 **SECTION 10.24.** The catch line of G.S. 108A-79 reads as rewritten:
26 "**§ 108A-79. Appeals.**~~Appeals of County Level Decisions.~~"
27

28 APPEALS OF DEPARTMENTAL LEVEL DECISIONS

29 **SECTION 10.25.** Article 4 of Chapter 108A-79 is amended by adding the
30 following new section to read:

31 "**§ 108A-79.1. Appeals of departmental level decisions.**

32 (a) The Department shall notify a Medicaid applicant or recipient of its intent to
33 deny, terminate, suspend, or reduce Medicaid eligibility or to deny, terminate, suspend,
34 or reduce Medicaid services. Such notice shall be in writing and shall contain:

- 35 (1) A statement of the agency action;
- 36 (2) The reasons for the agency action;
- 37 (3) The specific regulations or medical coverage policy that supports, or
38 the change in law that requires, the action;
- 39 (4) An explanation of the right to a hearing, or, in cases of an action based
40 on a change in law, the circumstances under which a hearing will be
41 granted;
- 42 (5) The procedure by which the petitioner may obtain a hearing;
- 43 (6) Notice that the petitioner may represent himself or be represented by
44 legal counsel, a relative, a friend, or other spokesman; and

1 (7) An explanation of the circumstances under which services are
2 continued if a hearing is requested.

3 The Department shall mail the notice at least 10 days before the date of the action
4 except when federal regulations allow immediate action to be taken.

5 (b) Any applicant or recipient aggrieved by a decision of the Department to deny,
6 terminate, suspend, or reduce Medicaid eligibility or to deny, terminate, suspend, or
7 reduce Medicaid services; and any provider aggrieved by a decision of the Department
8 to reduce, deny, recoup, or recover reimbursement or to deny, suspend, or revoke a
9 provider agreement shall be entitled to a hearing. A hearing shall be commenced by
10 filing a petition with the chief hearings clerk of the Department within 30 days of the
11 mailing of the notice by the Department of the action giving rise to the contested case.
12 The petition shall identify the petitioner, be signed by the party or the representative of
13 the party, and shall describe the agency action giving rise to the contested case. "File or
14 filing" means to place the paper or item to be filed into the care and custody of the chief
15 hearings clerk of the Department of Health and Human Services and acceptance thereof
16 by him, except that the hearing officer may permit the papers to be filed with him in
17 which event the hearing officer shall note thereon the filing date. The Department shall
18 supply forms for use in these contested cases.

19 (c) If there is a timely request for an appeal, the Department shall promptly
20 designate a hearing officer who shall hold an evidentiary hearing. The hearing officer
21 shall conduct the hearing according to applicable federal law and regulations and shall
22 ensure that:

23 (1) Notice of the hearing is given not less than 15 days before the hearing.
24 The notice shall state the date, hour, and place of the hearing and shall
25 be deemed to have been given on the date that a copy of the notice is
26 mailed, via certified mail, to the address provided by the petitioner in
27 the petition for hearing.

28 (2) The hearing shall be held in Wake County, except that the hearing
29 officer may, after consideration of the numbers, locations, and
30 convenience of witnesses and in order to promote the ends of justice,
31 hold the hearing by telephone, or other electronic means, or hold the
32 hearing in a county in which the petitioner resides.

33 (3) Discovery shall be no more extensive or formal than that required by
34 federal law and regulations applicable to such hearings. Prior to and
35 during the hearing an applicant or recipient or his representative shall
36 have adequate opportunity to examine his case file. No later than five
37 days before the date of the hearing each party to a contested case shall
38 provide to each other party a copy of any documentary evidence that
39 the party intends to introduce at the hearing and shall identify each
40 witness that the party intends to call.

41 (4) The hearing officer shall have the power to administer oaths and
42 affirmations, subpoena the attendance of witnesses, rule on prehearing
43 motions, and regulate the conduct of the hearing.

1 (5) At the hearing, the parties may present such sworn evidence, law and
2 regulations as are relevant to the issues in the case.

3 (6) The petitioner and the respondent agency shall have a right to be
4 represented by a person of his choice, including an attorney obtained at
5 his own expense.

6 (7) The petitioner and the respondent agency shall have the right to
7 cross-examine witnesses as well as make a closing argument
8 summarizing his view of the case and the law.

9 (8) The appeal hearing shall be recorded; however, no transcript will be
10 prepared unless a petition for judicial review is filed pursuant to
11 subsection (f) herein, in which case, the transcript shall be made a part
12 of the official record. In the absence of the filing of a petition for a
13 judicial review, the recording of the appeal hearing may be erased or
14 otherwise destroyed 180 days after the final decision is mailed as
15 provided in G.S. 108A-79(i)(5).

16 (d) The hearing officer shall decide the case based upon a preponderance of the
17 evidence, giving deference to the demonstrated knowledge and expertise of the agency
18 as provided by G.S. 150B-34(a). The hearing officer shall prepare a proposal for
19 decision, citing relevant law, regulations and evidence, which shall be served upon the
20 petitioner or their representative by certified mail, with a copy furnished to the
21 respondent agency.

22 (e) The petitioner and the respondent agency shall have 15 days from the date of
23 the mailing of the proposal for decision to present written arguments in opposition to or
24 in support of the proposal for decision to the designated official of the Department who
25 is to make the final decision. If neither written arguments are presented, nor extension
26 of time granted by the final agency decision maker for good cause, within 15 days of the
27 date of the mailing of the proposal for decision, the proposal for decision becomes final.
28 If written arguments are presented, such arguments shall be considered and the final
29 decision shall be rendered. The final decision shall be rendered not more than 90 days
30 from the date of the filing of the petition. This time limit may be extended by agreement
31 of the parties or by final agency decision-maker, for good cause shown, for an
32 additional period of up to 30 days. The final decision shall be served upon the petitioner
33 or their representative by certified mail, with a copy furnished to the respondent agency.
34 In the absence of a petition for judicial review filed pursuant to subsection (f) herein, the
35 final decision shall be binding upon the petitioner and the Department.

36 (f) Any petitioner who is dissatisfied with the final decision of the Department
37 may file, within 30 days of the service of such decision, a petition for judicial review in
38 the Superior Court of Wake County or of the county from which the case arose. The
39 judicial review shall be conducted according to the provisions of Article 4, Chapter
40 150B, of the North Carolina General Statutes.

41 (g) In the event of conflict between federal law or regulations and State law or
42 regulations, the federal law or regulations shall control.

43 (h) This Act shall be effective for all petitions that are filed on or after the
44 effective date of this Act and for all petitions that have been previously filed at the

1 Office of Administrative Hearings but for which a hearing on the merits has not been
 2 commenced prior to the effective date of this Act. The requirement that the agency
 3 decision must be rendered not more than 90 days from the date of the filing of the
 4 petition for hearing shall not apply to petitions that were filed at the Office of
 5 Administrative Hearings prior to the effective date of this Act. The Office of
 6 Administrative Hearings shall transfer all cases affected by this Act to the Department
 7 of Health and Human Services within thirty (30) days of the effective date of this Act.
 8 This Act preempts the existing informal appeal process and reconsideration review
 9 process at the Department and the existing appeal process at the Office of
 10 Administrative Hearings with regard to all appeals under the Medical Assistance
 11 Program."

12
 13 **EXTEND IMPLEMENTATION OF TICKET TO WORK**

14 **SECTION 10.26.(a)** Section 10.18(c) of S.L. 2005-276, as amended by
 15 Section 10.9(a) of S.L. 2006-66, as amended by Section 2 of S.L. 2007-144, reads as
 16 rewritten:

17 **"SECTION 10.18.(c)** Subsection (b) of this section becomes effective July 1, 2006.
 18 Subsection (a) of this section becomes effective ~~July 1, 2008~~ not later than twelve
 19 months after the date on which the replacement Medicaid Management Information
 20 System becomes operational and stabilized."

21 **SECTION 10.26.(b)** Prior to the effective date of G.S. 108A-54.1, the
 22 Department of Health and Human Services, Division of Medical Assistance, shall
 23 develop the necessary procedures, program policies, and business rules and prepare
 24 administrative rules and State Plan Amendments, if applicable, to implement and
 25 administer the requirements of G.S. 108A-54.1 to ensure its readiness to enroll eligible
 26 residents in accordance with subsection (a) of this section.

27
 28 **AMEND FEES IN DIVISION OF HEALTH SERVICES REGULATION**

29 **SECTION 10.27.(a)** Article 16 of Chapter 131E of the General Statutes
 30 reads as rewritten:

31 **"§ 131E-267. Fees for departmental review of licensed health care facility or**
 32 **Medical Care Commission bond-financed construction projects.**

33 (a) The Department of Health and Human Services shall charge a fee for the
 34 review of each health care facility construction project to ensure that project plans and
 35 construction are in compliance with State law. The fee shall be charged on a one-time,
 36 per-project basis as provided in this section. In no event may a fee imposed under this
 37 section exceed two hundred thousand dollars (\$200,000) for any single project. The first
 38 seven hundred twelve thousand six hundred twenty-six dollars (\$712,626) in fees
 39 collected under this section shall remain in the Division of Health Service Regulation.
 40 Additional fees collected shall be credited to the General Fund as nontax revenue and
 41 are intended to offset rather than replace appropriations made for this purpose.

42 (b) The fee imposed for the review of a hospital construction project varies
 43 depending upon the square footage of the project:

44 Over	Up To	Project Fee
----------------	--------------	--------------------

1	0	5,000	\$750.00 plus \$0.25 per square foot
2	5,000	10,000	\$1,500 plus \$0.40 per square foot
3	10,000	20,000	\$2,000 plus \$0.50 per square foot
4	20,000	NA	\$3,000 plus \$0.75 per square foot
5	<u>0</u>	<u>5,000</u>	<u>\$1,500 plus \$0.50 per square foot</u>
6	<u>5,000</u>	<u>10,000</u>	<u>\$3,000 plus \$0.50 per square foot</u>
7	<u>0,000</u>	<u>20,000</u>	<u>\$4,500 plus \$0.75 per square foot</u>
8	<u>20,000</u>	<u>NA</u>	<u>\$6,000 plus \$0.75 per square foot</u>

9 (c) The fee imposed for the review of a nursing home construction project varies
 10 depending upon the square footage of the project:

11	Over	Up To	Project Fee
12	0	2,000	\$250.00 plus \$0.15 per square foot
13	2,000	NA	\$250.00 plus \$0.16 per square foot
14	<u>0</u>	<u>2,000</u>	<u>\$250.00 plus \$0.16 per square foot</u>
15	<u>2,000</u>	<u>NA</u>	<u>\$500.00 plus \$0.30 per square foot</u>

16 (d) The fee imposed for the review of an ambulatory surgical facility
 17 construction project varies depending upon the square footage of the project:

18	Over	Up To	Project Fee
19	0	2,000	\$200.00 plus \$0.15 per square foot
20	2,000	NA	\$250.00 plus \$0.20 per square foot
21	<u>0</u>	<u>2,000</u>	<u>\$200.00 plus \$0.16 per square foot</u>
22	<u>2,000</u>	<u>NA</u>	<u>\$400.00 plus \$0.30 per square foot</u>

23 (e) The fee imposed for the review of a psychiatric hospital construction project
 24 varies depending upon the square footage of the project:

25	Over	Up To	Project Fee
26	0	5,000	\$200.00 plus \$0.16 per square foot
27	5,000	10,000	\$200.00 plus \$0.25 per square foot
28	10,000	20,000	\$300.00 plus \$0.45 per square foot
29	20,000	NA	\$400.00 plus \$0.45 per square foot
30	<u>0</u>	<u>5,000</u>	<u>\$750.00 plus \$0.25 per square foot</u>
31	<u>5,000</u>	<u>10,000</u>	<u>\$1,500.00 plus \$0.25 per square foot</u>
32	<u>10,000</u>	<u>20,000</u>	<u>\$2,250.00 plus \$0.50 per square foot</u>
33	<u>20,000</u>	<u>NA</u>	<u>\$3000.00 plus \$0.50 per square foot</u>

34 (f) The fee imposed for the review of an adult care home construction project
 35 varies depending upon the square footage of the project:

36	Over	Up To	Project Fee
37	0	2,000	\$175.00 plus \$0.10 per square foot
38	2,000	NA	\$175.00 plus \$0.20 per square foot
39	<u>0</u>	<u>2,000</u>	<u>\$175.00 plus \$0.10 per square foot</u>
40	<u>2,000</u>	<u>NA</u>	<u>\$350.00 plus \$0.20 per square foot</u>

41 (g) The fee imposed for the review of the following residential construction
 42 projects is:

43	Residential Project	Project Fee
44	Family Care Homes	\$200.00 flat fee

1	ICFR Group Homes	\$300.00 flat fee
2	Group Homes: 1-3 beds	\$100.00 flat fee
3	Group Homes: 4-6 beds	\$200.00 flat fee
4	Group Homes: 7-9 beds	\$250.00 flat fee
5	Other residential:	
6	More than 9 beds	\$250.00 plus \$0.75 per square foot
7		of project space.
8	<u>Family Care Homes</u>	<u>\$225.00 flat fee</u>
9	<u>ICF/MR Group Homes</u>	<u>\$350.00 flat fee</u>
10	<u>Group Homes: 1-3 beds</u>	<u>\$125.00 flat fee</u>
11	<u>Group Homes: 4-6 beds</u>	<u>\$225.00 flat fee</u>
12	<u>Group Homes: 7-9 beds</u>	<u>\$275.00 flat fee</u>
13	<u>Other residential:</u>	
14	<u>More than 9 beds</u>	<u>\$275.00 plus \$0.15 per square foot</u>
15		<u>of project space."</u>

16 **SECTION 10.27(b)** This section becomes effective July 1, 2008, and applies
 17 to applications or plans for review submitted on or after that date.

18
 19 **CHANGES TO NON-MEDICAID REIMBURSEMENT CHANGES**

20 **SECTION 10.28.** Section 10.5 of S.L. 2007-323 is rewritten as follows:

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

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

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

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

40	DSB Medical Eye Care	125% FPL
41	DSB Independent Living <55	125% FPL
42	DSB Independent Living 55>	200% FPL
43	DSB Vocational Rehabilitation	125% FPL
44	DVR Independent Living	125% FPL

DVR Vocational Rehabilitation 125% FPL

The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts, for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

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

Income (% of poverty)	State Participation	Client Participation
0-150%	100%	0%
151-200%	75%	25%
201-250%	50%	50%
251-300%	25%	75%
300% and over	0%	100%

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

DHHS BLOCK GRANTS

SECTION 10.29.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2009, according to the following schedule:

**TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT**

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	\$91,429,966
02.	Work First County Block Grants	97,031,528
03.	Work First Functional Assessments	2,721,787
04.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
05.	Work First – Boys and Girls Clubs	2,000,000

1			
2	06.	Work First – After-School Services for	
3		At-Risk Children	2,249,642
4			
5	07.	Work First – After-School Programs for	
6		At-Risk Youth in Middle Schools	500,000
7			
8	08.	Work First – Connect, Inc.	550,000
9			
10	09.	Adoption Services – Special Children's	
11		Adoption Fund	3,000,000
12			
13	10.	Family Violence Prevention	2,200,000
14			
15		Division of Child Development	
16			
17	11.	Subsidized Child Care Program	60,587,077
18			
19		DHHS Administration	
20			
21	12.	Division of Social Services	995,142
22			
23	13.	Office of the Secretary	66,101
24			
25	14.	Office of the Secretary/DIRM – TANF	
26		Automation Projects	595,541
27			
28	15.	Office of the Secretary/DIRM – NC FAST	
29		Implementation	1,800,000
30			
31		Division of Public Health	
32			
33	16.	Teen Pregnancy Prevention Initiatives	450,000
34			
35		Transfers to Other Block Grants	
36			
37		Division of Child Development	
38			
39	17.	Transfer to the Child Care and	
40		Development Fund	81,292,880
41			
42		Division of Social Services	
43			
44	18.	Transfer to Social Services Block Grant for	

1	Department of Juvenile Justice and Delinquency	
2	Prevention – Support Our Students	2,749,642
3		
4	19. Transfer to Social Services Block Grant for Child	
5	Protective Services – Child Welfare Training in	
6	Counties	2,738,827
7		
8	20. Transfer to Social Services Block Grant for	
9	Maternity Homes	838,000
10		
11	21. Transfer to Social Services Block Grant for Teen	
12	Pregnancy Prevention Initiatives	2,500,000
13		
14	22. Transfer to Social Services Block Grant for County	
15	Departments of Social Services for Children's Services	4,620,619
16		
17	23. Transfer to Social Services Block Grant for	
18	Foster Care Services	2,649,662
19		
20	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
21	(TANF) BLOCK GRANT	\$378,018,805
22		
23	SOCIAL SERVICES BLOCK GRANT	
24		
25	Local Program Expenditures	
26		
27	Divisions of Social Services and Aging and Adult Services	
28		
29	01. County Departments of Social Services	\$ 28,868,189
30	(Transfer from TANF – \$4,620,619)	
31		
32	02. State In-Home Services Fund	2,101,113
33		
34	03. State Adult Day Care Fund	2,155,301
35		
36	04. Child Protective Services/CPS Investigative	
37	Services-Child Medical Evaluation Program	238,321
38		
39	05. Foster Care Services	2,649,662
40	(Transfer from TANF)	
41		
42	06. Maternity Homes	838,000
43	(Transfer from TANF)	
44		

1	07. Special Children Adoption Incentive Fund	500,000
2		
3	08. Foster Parent Incentive	100,000
4		
5	Division of Aging and Adult Services	
6		
7	09. Home and Community Care Block Grant (HCCBG)	1,834,077
8		
9	Division of Mental Health, Developmental Disabilities, and Substance	
10	Abuse Services	
11		
12	10. Mental Health Services Program- Child	422,003
13		
14	11. Developmental Disabilities Services Program	5,000,000
15		
16	12. Mental Health Services-Adult and	
17	Child/Developmental Disabilities Program/	
18	Substance Abuse Services-Adult	3,234,601
19		
20	Division of Child Development	
21		
22	13. Subsidized Child Care Program	3,150,000
23		
24	Division of Vocational Rehabilitation	
25		
26	14. Vocational Rehabilitation Services – Easter Seal	
27	Society/UCP Community Health Program	188,263
28		
29	Division of Public Health	
30		
31	15. Teen Pregnancy Prevention Initiatives	2,500,000
32	(Transfer from TANF)	
33		
34	DHHS Program Expenditures	
35		
36	Division of Aging and Adult Services	
37		
38	16. UNC-CARES Training Contract	247,920
39		
40	Division of Social Services	
41		
42	17. CPS – Child Welfare Training from Counties	
43	(Transfer from TANF)	2,738,827
44		

1	Division of Services for the Blind	
2		
3	18. Independent Living Program	3,633,077
4		
5	Division of Health Service Regulation	
6		
7	19. Adult Care Licensure Program	411,897
8		
9	20. Mental Health Licensure and Certification Program	205,668
10		
11	DHHS Administration	
12		
13	21. Division of Aging and Adult Services	675,593
14		
15	22. Division of Social Services	869,058
16		
17	23. Office of the Secretary/Controller's Office	135,093
18		
19	24. Office of the Secretary/DIRM	82,009
20		
21	25. Division of Child Development	15,000
22		
23	26. Division of Mental Health, Developmental	
24	Disabilities, and Substance Abuse Services	28,860
25		
26	27. Division of Health Service Regulation	216,418
27		
28	28. Office of the Secretary-NC Inter-Agency Council	
29	For Coordinating Homeless Programs	250,000
30		
31	29. Office of the Secretary-Housing Coalition	100,000
32		
33	30. Office of the Secretary	46,819
34		
35	Transfers to Other State Agencies	
36		
37	Department of Administration	
38		
39	31. NC Commission of Indian Affairs In-Home	
40	Services for the Elderly	203,198
41		
42	Department of Juvenile Justice and Delinquency Prevention	
43		
44	32. Support Our Students	2,749,642

1	(Transfer from TANF)	
2		
3	Transfers to Other Block Grants	
4		
5	Division of Public Health	
6		
7	33. Transfer to Preventive Health Services Block Grant for	
8	HIV/STD Prevention and Community Planning	145,819
9		
10	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 66,534,428
11		
12	LOW-INCOME ENERGY BLOCK GRANT	
13		
14	Local Program Expenditures	
15		
16	Division of Social Services	
17		
18	01. Low-Income Energy Assistance Program (LIHEAP)	\$ 19,510,559
19		
20	02. Crisis Intervention Program (CIP)	14,588,514
21		
22	Office of the Secretary – Office of Economic Opportunity	
23		
24	03. Weatherization Program	6,268,946
25		
26	04. Heating Air Repair & Replacement Program (HARRP)	2,923,950
27		
28	Local Administration	
29		
30	Division of Social Services	
31		
32	05. County DSS Administration	2,259,757
33		
34	Office of the Secretary – Office of Economic Opportunity	
35		
36	06. Local Residential Energy Efficiency Service	
37	Providers – Weatherization	268,146
38		
39	07. Local Residential Energy Efficiency Service	
40	Providers – HARRP	125,067
41		
42	DHHS Administration	
43		
44	08. Division of Social Services	219,410

1			
2	09.	Division of Mental Health, Developmental	
3		Disabilities, and Substance Abuse Services	7,389
4			
5	10.	Office of the Secretary/DIRM	245,395
6			
7	11.	Office of the Secretary/Controller's Office	11,211
8			
9	12.	Office of the Secretary/Office of Economic	
10		Opportunity – Weatherization	268,146
11			
12	13.	Office of the Secretary/Office of Economic	
13		Opportunity – HARRP	125,067
14			
15		Transfers to Other State Agencies	
16			
17	14.	Department of Administration –	
18		NC State Commission of Indian Affairs	60,947
19			
20		TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 46,882,504
21			
22		CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
23			
24		Local Program Expenditures	
25			
26		Division of Child Development	
27			
28	01.	Subsidized Child Care Services	\$148,186,059
29			
30	02.	Subsidized Child Care Services	
31		(TANF to CCDF)	81,292,880
32			
33	03.	Contract Subsidy Services Support (CCDF)	504,695
34			
35		DHHS Program Expenditures	
36			
37		Division of Child Development	
38			
39	04.	Quality and Availability Initiatives	27,298,901
40			
41		Local Administration	
42			
43		Division of Social Services	
44			

1	05. Subsidy Services Support	15,813,021
2		
3	DHHS Administration	
4		
5	Division of Child Development	
6		
7	06. DCD Administrative Expenses	6,540,707
8		
9	DHHS Central Administration	
10		
11	07. DHHS Central Administration-DIRM Technical Services	749,081
12		
13	TOTAL CHILD CARE AND DEVELOPMENT FUND	
14	BLOCK GRANT	\$280,385,344
15		
16	MENTAL HEALTH SERVICES BLOCK GRANT	
17		
18	Local Program Expenditures	
19		
20	01. Mental Health Services – Adult	\$ 7,154,932
21		
22	02. Mental Health Services – Child	3,921,991
23		
24	03. Comprehensive Treatment Service	
25	Program	1,500,000
26		
27	DHHS Administration	
28		
29	04. Division of Mental Health	100,000
30		
31	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 12,676,923
32		
33	SUBSTANCE ABUSE PREVENTION	
34	AND TREATMENT BLOCK GRANT	
35		
36	Local Program Expenditures	
37		
38	01. Substance Abuse Services – Adult	\$ 22,008,080
39		
40	02. Substance Abuse Treatment Alternative for	
41	Women	8,069,524
42		
43	03. Substance Abuse – HIV and IV Drug	5,116,378
44		

1	04. Substance Abuse Prevention – Child	7,186,857
2		
3	05. Substance Abuse Services – Child/Adolescent	4,940,500
4		
5	Division of Public Health	
6		
7	07. Risk Reduction Projects	633,980
8		
9	08. Aid-to-Counties	209,576
10		
11	09. Maternal Health	37,779
12		
13	DHHS Administration	
14		
15	10. Division of Mental Health	500,000
16		
17	TOTAL SUBSTANCE ABUSE PREVENTION	
18	AND TREATMENT BLOCK GRANT	\$ 48,702,674
19		
20	MATERNAL AND CHILD HEALTH BLOCK GRANT	
21		
22	Local Program Expenditures	
23		
24	Division of Public Health	
25		
26	01. Children's Health Services	\$ 7,415,569
27		
28	02. Women's Health-Aid-to-County	7,504,019
29		
30	DHHS Program Expenditures	
31		
32	Division of Public Health	
33		
34	03. Oral Health	35,951
35		
36	04. Children's Health Services	1,654,428
37		
38	05. Women's Health	121,285
39		
40	06. State Center for Health Statistics	120,364
41		
42	07. Quality Improvement in Public Health	14,646
43		
44	08. Health Promotions	84,843

1		
2	09. Office of Minority Health	51,562
3		
4	10. Immunization Program – Vaccine Distribution	310,667
5		
6	DHHS Administration	
7		
8	11. Division of Public Health Administration	631,966
9		
10	TOTAL MATERNAL AND CHILD	
11	HEALTH BLOCK GRANT	\$ 17,945,300
12		
13	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
14		
15	Local Program Expenditures	
16		
17	01. NC Statewide Health Promotion	\$1,755,653
18		
19	02. Services to Rape Victims	197,112
20		
21	03. HIV/STD Prevention and Community Planning	
22	(Transfer from Social Services Block Grant)	145,819
23		
24	DHHS Program Expenditures	
25		
26	04. NC Statewide Health Promotion	1,508,889
27		
28	05. Oral Health	70,000
29		
30	06. State Laboratory of Public Health	16,600
31		
32	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,694,073
33		
34	COMMUNITY SERVICES BLOCK GRANT	
35		
36	Local Program Expenditures	
37		
38	Office of Economic Opportunity – Community Services Block Grant	
39		
40	01. Community Action Agencies	\$ 16,062,653
41		
42	02. Limited Purpose Agencies	892,370
43		
44	DHHS Administration	

1	03. Office of Economic Opportunity	892,369
2		
3		
4	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$17,847,392
5		

GENERAL PROVISIONS

SECTION 10.29.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.
- (4) A comparison of the proposed allocations by program or activity with two prior years' program and activity budgets and two prior years' actual program or activity expenditures.
- (5) A projection of current year expenditures by program or activity.
- (6) A projection of federal Block Grant funds available, including unspent federal funds from the current and prior fiscal years.

SECTION 10.29.(c) Changes in Federal Fund Availability. – If the Congress of the United States increases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. In allocating an increase in federal fund availability, the Department shall not propose funding for new programs or activities not appropriated in this section or increase State administrative expenditures.

If the Congress of the United States decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services from the amounts appropriated in this section, the Department shall reduce State administration by at least the percentage of the reduction in federal funds. After determining the State administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section. In allocating a decrease in federal fund availability, the Department shall not eliminate the funding for a program or activity appropriated in this section unless it is related to the State administration.

Prior to allocating the change in federal fund availability, the proposed allocation must be approved by the Office of State Budget and Management. If the Department adjusts the allocation of any Block Grant due to changes in federal fund availability, then a report shall be made to the Joint Legislative Commission on

1 Governmental Operations, the House of Representatives Appropriations Subcommittee
2 on Health and Human Services, the Senate Appropriations Committee on Health and
3 Human Services, and the Fiscal Research Division.

4 **SECTION 10.29.(d)** All changes to the budgeted allocations to the Block
5 Grants administered by the Department of Health and Human Services that are not
6 specifically addressed in this section shall be approved by the Office of State Budget
7 and Management, and a report shall be submitted to the Joint Legislative Commission
8 on Governmental Operations for review prior to implementing the changes. All changes
9 to the budgeted allocations to the Block Grant shall be reported immediately to the
10 House of Representatives Appropriations Subcommittee on Health and Human
11 Services, the Senate Appropriations Committee on Health and Human Services, and the
12 Fiscal Research Division. This subsection does not apply to Block Grant changes
13 caused by legislative salary increases and benefit adjustments.

14
15 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT**
16 **(TANF)**

17 **SECTION 10.29.(e)** The sum of nine hundred ninety-five thousand one
18 hundred forty-two dollars (\$995,142) appropriated in this section in the TANF Block
19 Grant to the Department of Health and Human Services, Division of Social Services, for
20 the 2008-2009 fiscal year shall be used to support administration of TANF-funded
21 programs.

22 **SECTION 10.29.(f)** The sum of two million two hundred thousand dollars
23 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
24 Department of Health and Human Services, Division of Social Services, for the
25 2008-2009 fiscal year shall be used to provide domestic violence services to Work First
26 recipients. These funds shall be used to provide domestic violence counseling, support,
27 and other direct services to clients. These funds shall not be used to establish new
28 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
29 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
30 support one administrative position within the Division of Social Services to implement
31 this subsection.

32 Each county department of social services and the local domestic violence
33 shelter program serving the county shall jointly develop a plan for utilizing these funds.
34 The plan shall include the services to be provided and the manner in which the services
35 shall be delivered. The county plan shall be signed by the county social services director
36 or the director's designee and the domestic violence program director or the director's
37 designee and submitted to the Division of Social Services by December 1, 2008. The
38 Division of Social Services, in consultation with the Council for Women, shall review
39 the county plans and shall provide consultation and technical assistance to the
40 departments of social services and local domestic violence shelter programs, if needed.

41 The Division of Social Services shall allocate these funds to county
42 departments of social services according to the following formula: (i) each county shall
43 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall
44 receive an allocation of the remaining funds based on the county's proportion of the

1 statewide total of the Work First caseload as of July 1, 2008, and the county's proportion
2 of the statewide total of the individuals receiving domestic violence services from
3 programs funded by the Council for Women as of July 1, 2008. The Division of Social
4 Services may reallocate unspent funds to counties that submit a written request for
5 additional funds.

6 **SECTION 10.29.(g)** The sum of two million two hundred forty-nine
7 thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the
8 TANF Block Grant to the Department of Health and Human Services, Division of
9 Social Services, for the 2008-2009 fiscal year shall be used to expand after-school
10 programs and services for at-risk children. The Department shall develop and
11 implement a grant program to award grants to community-based programs that
12 demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and
13 gang participation. The Department shall award grants to community-based
14 organizations that demonstrate the ability to develop and implement linkages with local
15 departments of social services, area mental health programs, schools, and other human
16 services programs in order to provide support services and assistance to the child and
17 family. These funds may be used to fund one position within the Division of Social
18 Services to coordinate at-risk after-school programs and shall not be used for other State
19 administration.

20 **SECTION 10.29.(h)** The sum of fourteen million four hundred fifty-two
21 thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to
22 the Department of Health and Human Services, Division of Social Services, in the
23 TANF Block Grant for the 2008-2009 fiscal year for child welfare improvements shall
24 be allocated to the county departments of social services for hiring or contracting staff
25 to investigate and provide services in Child Protective Services cases; to provide foster
26 care and support services; to recruit, train, license, and support prospective foster and
27 adoptive families; and to provide interstate and post-adoption services for eligible
28 families.

29 **SECTION 10.29.(i)** The sum of three million dollars (\$3,000,000)
30 appropriated in this section in the TANF Block Grant to the Department of Health and
31 Human Services, Special Children Adoption Fund, for the 2008-2009 fiscal year shall
32 be used in accordance with Section 10.31 of this act. The Division of Social Services,
33 in consultation with the North Carolina Association of County Directors of Social
34 Services and representatives of licensed private adoption agencies, shall develop
35 guidelines for the awarding of funds to licensed public and private adoption agencies
36 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
37 received from the Special Children Adoption Fund by participating agencies shall be
38 used exclusively to enhance the adoption services program. No local match shall be
39 required as a condition for receipt of these funds.

40 **SECTION 10.29.(j)** The sum of one million eight hundred thousand dollars
41 (\$1,800,000) in this section appropriated to the Department of Health and Human
42 Services in the TANF Block Grant for the 2008-2009 fiscal year shall be used to
43 implement N.C. FAST (North Carolina Families Accessing Services through
44 Technology). The N.C. FAST Program involves the entire automation initiative through

1 which families access services and local departments of social services deliver benefits,
2 supervised by the Department of Health and Human Services, Divisions of Social
3 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
4 statewide automated initiative shall be implemented in compliance with federal
5 regulations in order to ensure federal financial participation in the project. The
6 Department of Health and Human Services shall report on its compliance with this
7 subsection to the House of Representatives Appropriations Subcommittee on Health and
8 Human Services, the Senate Appropriations Committee on Health and Human Services,
9 and the Fiscal Research Division no later than January 1, 2009.

10 **SECTION 10.29.(k)** The sum of five hundred thousand dollars (\$500,000)
11 appropriated in this section to the Department of Health and Human Services, Division
12 of Social Services, in the TANF Block Grant for the 2008-2009 fiscal year shall be used
13 to expand after-school programs for at-risk children attending middle school. The
14 Department shall develop and implement a grant program to award funds to
15 community-based programs demonstrating the capacity to reach children at risk of teen
16 pregnancy, school dropout, and gang participation. These funds shall not be used for
17 training or administration at the State level. All funds shall be distributed to
18 community-based programs, focusing on those communities where similar programs do
19 not exist in middle schools.

20 **SECTION 10.29.(l)** In implementing the TANF Block Grant, the
21 Department of Health and Human Services shall review policies, programs, and
22 initiatives to ensure that they support men in their role as fathers and strengthen fathers'
23 involvement in their children's lives. The Department shall encourage county
24 departments of social services to ensure their Work First programs emphasize
25 responsible fatherhood and increased participation by noncustodial fathers.

26 **SECTION 10.29.(m)** The sum of five hundred fifty thousand dollars
27 (\$550,000) appropriated in this section to the Department of Health and Human
28 Services in the TANF Block Grant for the 2008-2009 fiscal year shall be transferred to
29 Connect, Inc. Connect, Inc., shall report on the number of people served and the
30 services received as a result of the receipt of funds. The report shall contain expenditure
31 data, including the amount of funds used for administration and direct training. The
32 report shall also include the number of people who have been employed as a direct
33 result of services provided by Connect, Inc., including the length of employment in the
34 new position. The Department of Health and Human Services shall evaluate the
35 program and ensure that services provided are not duplicative of local employment
36 security commissions in the nine counties served by Connect, Inc. The evaluation report
37 shall be submitted to the House of Representatives Appropriations Subcommittee on
38 Health and Human Services, the Senate Appropriations Committee on Health and
39 Human Services, and the Fiscal Research Division no later than May 1, 2009.

40 **SECTION 10.29.(n)** The sum of two million dollars (\$2,000,000)
41 appropriated in this section to the Department of Health and Human Services in the
42 TANF Block Grant for Boys and Girls Clubs for the 2008-2009 fiscal year shall be used
43 to make grants for approved programs. The Department of Health and Human Services,
44 in accordance with federal regulations for the use of TANF Block Grant funds, shall

1 administer a grant program to award funds to the Boys and Girls Clubs across the State
2 in order to implement programs that improve the motivation, performance, and
3 self-esteem of youths and to implement other initiatives that would be expected to
4 reduce gang participation, school dropout, and teen pregnancy rates. The Department
5 shall encourage and facilitate collaboration between the Boys and Girls Clubs and
6 Support Our Students, Communities in Schools, and similar programs to submit joint
7 applications for the funds if appropriate.

8 **SECTION 10.29.(o)** The Department of Health and Human Services,
9 Division of Social Services, shall continue implementing county demonstration grants
10 that began in the 2006-2007 fiscal year. The county demonstration grants may be
11 awarded for up to three years with all projects ending no later than the end of fiscal year
12 2009-2010. The purpose of the county demonstration grants is to identify best practices
13 that can be used by counties to improve the work participation rates. The Division of
14 Social Services is authorized to establish two time-limited positions to manage the grant
15 award process and monitor the demonstration projects through fiscal year 2009-2010.

16 Funding provided under the county demonstration grants shall not be used to
17 supplant local funds, and counties shall be required to maintain the current level of
18 effort and funding for the Work First program.

19 The Department of Health and Human Services, Division of Social Services,
20 shall report on the status of county demonstration grants implemented pursuant to this
21 subsection to the House of Representatives Appropriations Subcommittee on Health and
22 Human Services, the Senate Appropriations Committee on Health and Human Services,
23 and the Fiscal Research Division no later than February 1, 2009.

24 25 **SOCIAL SERVICES BLOCK GRANT**

26 **SECTION 10.29.(p)** Social Services Block Grant funds appropriated to the
27 North Carolina Inter-Agency Council for Coordinating Homeless Programs, the North
28 Carolina Housing Coalition, and Foster Parent Incentive are exempt from the provisions
29 of 10A NCAC 71R .0201(3). The Special Children's Adoption Incentive Fund will
30 require a fifty percent (50%) local match.

31 **SECTION 10.29.(q)** The sum of two million seven hundred forty-nine
32 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the
33 Social Services Block Grant to the Department of Health and Human Services and
34 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
35 2008-2009 fiscal year shall be used to support the existing Support Our Students
36 Program, including gang prevention, and to expand the Program statewide, focusing on
37 low-income communities in unserved areas. These funds shall not be used for
38 administration of the Program.

39 **SECTION 10.29.(r)** The sum of two million seven hundred thirty-eight
40 thousand eight hundred twenty-seven dollars (\$2,738,827) appropriated in this section
41 in the Social Services Block Grant to the Department of Health and Human Services,
42 Division of Social Services, for the 2008-2009 fiscal year shall be used to support
43 various child welfare training projects as follows:

- 44 (1) Provide a regional training center in southeastern North Carolina.

1 (2) Support the Master's Degree in Social Work/Baccalaureate Degree in
2 Social Work Collaborative.

3 (3) Provide training for residential child caring facilities.

4 (4) Provide for various other child welfare training initiatives.

5 **SECTION 10.29.(s)** The sum of eight hundred thirty-eight thousand dollars
6 (\$838,000) appropriated in this section in the Social Services Block Grant to the
7 Department of Health and Human Services for the 2008-2009 fiscal year shall be used
8 to purchase services at maternity homes throughout the State.

9 **SECTION 10.29.(t)** The sum of two million six hundred forty-nine thousand
10 six hundred sixty-two dollars (\$2,649,662) appropriated in this section in the Social
11 Services Block Grant for child caring agencies for the 2008-2009 fiscal year shall be
12 allocated to the State Private Child Caring Agencies Fund.

13 **SECTION 10.29.(u)** The Department of Health and Human Services is
14 authorized, subject to the approval of the Office of State Budget and Management, to
15 transfer Social Services Block Grant funding allocated for departmental administration
16 between divisions that have received administrative allocations from the Social Services
17 Block Grant.

18 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

19 **SECTION 10.29.(v)** Additional emergency contingency funds received may
20 be allocated for Energy Assistance Payments or Crisis Intervention Payments without
21 prior consultation with the Joint Legislative Commission on Governmental Operations.
22 Additional funds received shall be reported to the Joint Legislative Commission on
23 Governmental Operations and the Fiscal Research Division upon notification of the
24 award. The Department of Health and Human Services shall not allocate funds for any
25 activities, including increasing administration, other than assistance payments, without
26 prior consultation with the Joint Legislative Commission on Governmental Operations.
27

28 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

29 **SECTION 10.29.(w)** The sum of no more than four hundred thousand
30 dollars (\$400,000) appropriated in this section to the Department of Health and Human
31 Services in the Child Care and Development Fund Block Grant for the 2008-2009 fiscal
32 year may be used for the operations of the Medical Child Care Pilot.
33

34 **SECTION 10.29.(x)** Payment for subsidized child care services provided
35 with federal TANF funds shall comply with all regulations and policies issued by the
36 Division of Child Development for the subsidized child care program.

37 **SECTION 10.29.(y)** If funds appropriated through the Child Care and
38 Development Fund Block Grant for any program cannot be obligated or spent in that
39 program within the obligation or liquidation periods allowed by the federal grants, the
40 Department may move funds to child care subsidies, unless otherwise prohibited by
41 federal requirements of the grant, in order to use the federal funds fully. The
42 Department may also adjust the amount of subsidy services support funds based on the
43 initial formula allocation to counties.
44

MENTAL HEALTH BLOCK GRANT

SECTION 10.29.(z) The sum of one million five hundred thousand dollars (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2008-2009 fiscal year and the sum of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2008-2009 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 10.10 of this act.

SECTION 10.29.(aa) The Department of Health and Human Services shall contract with the University of North Carolina at Chapel Hill for the purpose of providing psychology student stipends in the amount of fifty thousand dollars (\$50,000) for the 2008-2009 fiscal year. Twenty-five thousand dollars (\$25,000) of this contract shall be paid from the Mental Health Block Grant.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.29.(bb) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2008-2009 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

SECTION 10.29.(cc) The Department of Health and Human Services shall ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF COMMERCE**ONE NORTH CAROLINA FUND**

SECTION 11.1. G.S. 143B-437.71 is amended by adding a new subsection to read:

"§ 143B-437.71. One North Carolina Fund established as a special revenue fund.

(a) Establishment. – The One North Carolina Fund is established as a special revenue fund in the Department of Commerce.

(b) Purposes. – Moneys in the One North Carolina Fund may only be allocated pursuant to this subsection. Moneys may be allocated to local governments for use in connection with securing commitments for the recruitment, expansion, or retention of new and existing businesses and to the One North Carolina Small Business Account created pursuant to subsection (c) of this section in an amount not to exceed three million dollars (\$3,000,000). Moneys in the One North Carolina Fund allocated to local governments shall be used for the following purposes only:

- 1 (1) Installation or purchase of equipment.
- 2 (2) Structural repairs, improvements, or renovations to existing buildings
- 3 to be used for expansion.
- 4 (3) Construction of or improvements to new or existing water, sewer, gas,
- 5 or electric utility distribution lines or equipment for existing buildings.
- 6 (4) Construction of or improvements to new or existing water, sewer, gas,
- 7 or electric utility distribution lines or equipment for new or proposed
- 8 buildings to be used for manufacturing and industrial operations.
- 9 (5) Any other purposes specifically provided by an act of the General
- 10 Assembly.

11 (c) There is created in the One North Carolina Fund a special account, the One
12 North Carolina Small Business Account, to be used for the North Carolina SBIR/STTR
13 Incentive Program and the North Carolina SBIR/STTR Matching Funds Program, as
14 specified in Part 2I of Article 10 of Chapter 143B of the General Statutes.

15 (d) The Department of Commerce may use up to three hundred thousand dollars
16 (\$300,000) each year from funds appropriated from the One North Carolina Fund to
17 cover the expenses in administering of the program. The department may use these
18 funds to cover personnel and other administrative cost as long as the program has grants
19 outstanding."

21 NORTH CAROLINA SBIR/STTR MATCHING FUNDS PROGRAM

22 SECTION 11.2.G.S. 143B-437.81 is amended by adding a new subsection to
23 read:

24 "§ 143B-437.81. North Carolina SBIR/STTR Matching Funds Program.

25 (a) Program. – There is established the North Carolina SBIR/STTR Matching
26 Funds Program to be administered by the North Carolina Board of Science and
27 Technology. In order to foster job creation and economic development in the State, the
28 Board may provide grants to eligible businesses to match funds received by a business
29 as a SBIR or STTR Phase I award and to encourage businesses to apply for Phase II
30 awards.

31 (b) Eligibility. – In order to be eligible for a grant under this section, a business
32 must satisfy all of the following conditions:

- 33 (1) The business must be a for-profit, North Carolina-based business. For
- 34 the purposes of this section, a North Carolina-based business is one
- 35 that has its principal place of business in this State.
- 36 (2) The business must have received a SBIR/STTR Phase I award from a
- 37 participating federal agency in response to a specific federal
- 38 solicitation. To receive the full match, the business must also have
- 39 submitted a final Phase I report, demonstrated that the sponsoring
- 40 agency has interest in the Phase II proposal, and submitted a Phase II
- 41 proposal to the agency.
- 42 (3) The business must satisfy all federal SBIR/STTR requirements.
- 43 (4) The business shall not receive concurrent funding support from other
- 44 sources that duplicates the purpose of this section.

1 (5) The business must certify that at least fifty-one percent (51%) of the
2 research described in the federal SBIR/STTR Phase II proposal will be
3 conducted in this State and that the business will remain a North
4 Carolina-based business for the duration of the SBIR/STTR Phase II
5 project.

6 (6) The business must demonstrate its ability to conduct research in its
7 SBIR/STTR Phase II proposal.

8 (c) Grant. – The North Carolina Board of Science and Technology may award
9 grants to match the funds received by a business through a SBIR/STTR Phase I proposal
10 up to a maximum of one hundred thousand dollars (\$100,000). Seventy-five percent
11 (75%) of the total grant shall be remitted to the business upon receipt of the SBIR/STTR
12 Phase I award and application for funds under this section. Twenty-five percent (25%)
13 of the total grant shall be remitted to the business upon submission by the business of
14 the Phase II application to the funding agency and acceptance of the Phase I report by
15 the funding agency. A business may receive only one grant under this section per year.
16 A business may receive only one grant under this section with respect to each federal
17 proposal submission. Over its lifetime, a business may receive a maximum of five
18 awards under this section.

19 (d) Application. – A business shall apply, under oath, to the North Carolina
20 Board of Science and Technology for a grant under this section on a form prescribed by
21 the Board that includes at least all of the following:

22 (1) The name of the business, the form of business organization under
23 which it is operated, and the names and addresses of the principals or
24 management of the business.

25 (2) An acknowledgement of receipt of the Phase I report and Phase II
26 proposal by the relevant federal agency.

27 (3) Any other information necessary for the Board to evaluate the
28 application.

29 (e) The Department of Commerce may use up to one hundred thousand dollars
30 (\$100,000) each year from funds appropriated to the North Carolina Small Business
31 Account to cover the expenses in administering of the program. The department may
32 use these funds to cover personnel and other administrative costs as long as the program
33 has grants outstanding."

34 **EMPLOYMENT SECURITY COMMISSION FUNDS**

35 **SECTION 11.3.(a)** Funds from the Employment Security Commission
36 Reserve Fund shall be available to the Employment Security Commission of North
37 Carolina to use as collateral to secure federal funds and to pay the administrative costs
38 associated with the collection of the Employment Security Commission Reserve Fund
39 surcharge. The total administrative costs paid with funds from the Reserve in the
40 2008-2009 fiscal year shall not exceed two million five hundred thousand dollars
41 (\$2,500,000).
42

43 **SECTION 11.3.(b)** There is appropriated from the Employment Security
44 Commission Reserve Fund to the Employment Security Commission of North Carolina

1 the sum of twenty million dollars (\$20,000,000) for the 2008-2009 fiscal year to be used
2 for the following purposes:

- 3 (1) Nineteen million seven hundred thousand dollars (\$19,700,000) for the
4 operation and support of ESC local offices.
- 5 (2) Two hundred thousand dollars (\$200,000) for the State Occupational
6 Information Coordinating Committee to develop and operate an
7 interagency system to track former participants in State education and
8 training programs.
- 9 (3) One hundred thousand dollars (\$100,000) to maintain compliance with
10 Chapter 96 of the General Statutes, which directs the Commission to
11 employ the Common Follow-Up Management Information System to
12 evaluate the effectiveness of the State's job training, education, and
13 placement programs.

14 **SECTION 11.3.(c)** There is appropriated from the Employment Security
15 Commission Reserve Fund to the Employment Security Commission of North Carolina
16 an amount not to exceed one million dollars (\$1,000,000) for the 2008-2009 fiscal year
17 to fund State initiatives not currently funded through federal grants.

18 **SECTION 11.3.(d)** There is appropriated from the Employment Security
19 Commission Reserve Fund to the Employment Security Commission of North Carolina
20 an amount not to exceed three hundred fifty thousand dollars (\$350,000) for the
21 2008-2009 fiscal year to allow the Commission to continue to work with Connect, Inc.,
22 to provide dislocated workers with assistance in obtaining health care benefits, receiving
23 vocational training, and securing employment.

24 **SECTION 11.3.(e)** There is appropriated from the Employment Security
25 Commission Reserve Fund to the Department of Commerce an amount not to exceed
26 five hundred thousand dollars (\$500,000) for the 2008-2009 fiscal year. Funds will be
27 used by the Division of Workforce Development for the Valuing Education Initiative, a
28 broad-based effort to promote higher educational attainment levels to ensure the future
29 prosperity of all North Carolina's citizens, with a special focus on the existing
30 workforce.

31 **SECTION 11.3.(f)** There is appropriated from the Employment Security
32 Commission Reserve Fund to the Department of Commerce an amount not to exceed
33 one million five hundred thousand dollars (\$1,500,000) for the 2008-2009 fiscal year.
34 Funds will be used for the Incumbent Worker Training Initiative in the Division of
35 Workforce Development. The initiative will provide grants to specific high growth
36 industry sectors that are experiencing significant worker availability and skill gaps.

37 **SECTION 11.3.(g)** This section becomes effective July 1, 2008.
38

39 SET REGULATORY FEE FOR UTILITIES COMMISSION

40 **SECTION 11.4.(a)** The percentage rate to be used in calculating the public
41 utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent
42 (0.12%) for each public utility's North Carolina jurisdictional revenues earned during
43 each quarter that begins on or after July 1, 2008.

1 **SECTION 11.4.(b)** The electric membership corporation regulatory fee
2 imposed under G.S. 62-302 (b1) for the 2008-2009 fiscal year is two hundred thousand
3 dollars (\$200,000).

4 **SECTION 11.4.(c)** This section becomes effective July 1, 2008.
5

6 **PART XII. DEPARTMENT OF AGRICULTURE**

7

8 **PLANT CONSERVATION PROGRAM**

9 **SECTION 12.1.** From funds that are deposited with the State Treasurer
10 pursuant to G.S. 146-30 to the credit of the Department of Agriculture and Consumer
11 Services in a capital improvement account, the sum of thirty thousand dollars (\$30,000)
12 for the 2008-09 fiscal year shall be transferred to the Department of Agriculture and
13 Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its
14 plant conservation program under Article 19B of Chapter 106 of the General Statutes
15 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title
16 searches, environmental studies, and for the management of plant conservation program
17 preserves owned by the Department.
18

19 **PART XIII. DEPARTMENT OF ENVIRONMENT AND NATURAL** 20 **RESOURCES**

21

22 **COMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE** 23 **TANK CLEANUP FUND**

24 **SECTION 13.1.** There is appropriated from the Commercial Leaking
25 Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment
26 and Natural Resources the sum of \$870,678 for the 2008-2009 fiscal year to establish
27 eleven positions and associated operating budget in the UST program to increase
28 compliance inspection frequency and to develop and conduct UST operator training for
29 regulated UST systems under Parts 2A and 2B of Article 21A of Chapter 143 of the
30 General Statutes. It is the intent of the General Assembly that funds appropriated under
31 this section are recurring funds and that these funds are in addition to funds previously
32 appropriated.
33

34 **PART XIV. STATEWIDE PROVISIONS**

35

36 **NORTH CAROLINA GEOGRAPHIC INFORMATION SYSTEMS (GIS)** 37 **RESERVE ACCOUNT**

38 **SECTION 14.1.(a)** The North Carolina Geographic Information Systems
39 Reserve Account shall be established as a special reserve account.

40 Establishment and Purpose. – The NC Geographic Information Systems
41 Reserve Account is established as a Special Reserve Account in the Office of State
42 Budget and Management (OSBM) and the department shall be responsible for
43 administering and allocating funds from the Reserve Account in consultation with the

1 Geographic Information Coordinating Council's Management and Operations
2 Committee.

3 **SECTION 14.1.(b)** Program Guidelines.

4 1. The Geographic Information Coordinating Council, the Center for
5 Geographic Information and Analysis and the Office of State Budget and Management
6 in consultation with state agency partners shall identify the required funds needed to
7 build and maintain an accurate and comprehensive GIS database.

8 2. GIS data layer development and maintenance funds shall flow through the
9 Reserve Account to ensure consistency standards are met. The data steward for each
10 data layer shall produce the data in an agreed upon schedule and shall be disseminated
11 via the NC OneMap. If the data production process is a multi-year effort, the agency
12 must show on an annual basis that it is making satisfactory progress toward completion
13 or risk continued funding.

14 3. GIS data layer requirements shall be netted for any anticipated cost share
15 from federal or local governments.

16
17 **NORTH CAROLINA GEOGRAPHIC INFORMATION COORDINATING**
18 **COUNCIL**

19 **SECTION 14.2.** G.S. 143-725 through 143-726 are rewritten as follows:

20 "Article 76.

21 "North Carolina Geographic Information Coordinating Council.

22 **"§ 143-725. Council established; role of the Center for Geographic Information**
23 **and Analysis.**

24 (a) Council Established. – The North Carolina Geographic Information
25 Coordinating Council ("Council") is established to develop policies regarding the
26 utilization of geographic information, GIS systems, and other related technologies. The
27 Council shall be responsible for the following:

28 (1) ~~Strategic planning.~~ Developing the Statewide GIS Strategy.

29 (2) Create, update, adopt, and enforce GIS related standards for State
30 agencies and collaborate with counties and municipalities.

31 ~~(2)~~(3) Resolution of policy and technology issues.

32 ~~(3)~~(4) Coordination, direction, and oversight of State, local, and private GIS
33 efforts.

34 ~~(4)~~(5) Advising the Governor, the General Assembly, and the State Chief
35 Information Officer as to needed directions, responsibilities, and
36 funding regarding geographic information.

37 The purpose of this statewide geographic information coordination effort shall be to
38 further cooperation among State, federal, and local government agencies; academic
39 institutions; and the private sector to improve the quality, access, cost-effectiveness, and
40 utility of North Carolina's geographic information and to promote geographic
41 information as a strategic resource in the State. Statewide GIS roles and responsibilities
42 shall be defined for all agencies that develop and maintain GIS data. The Council shall
43 be located in the Office of the Governor for organizational, budgetary, and
44 administrative purposes.

1 (b) Role of CGIA. – The Center for Geographic Information and Analysis
2 (CGIA) shall staff the Geographic Information and Coordinating Council and its
3 committees. CGIA shall coordinate the execution of the Statewide GIS Strategy and
4 CGIA shall manage and distribute digital geographic information about North Carolina
5 maintained by numerous State and local government agencies. It shall also maintain a
6 statewide inventory of geospatial data and policies, operate a statewide data
7 clearinghouse and provide Internet access to State agency geographic information.
8 CGIA shall serve as the lead State agency for coordination of the Statewide GIS
9 Strategy with federal coordination initiatives.

10 **"§ 143-726. Council membership; organization.**

11 (a) Members. – The Council shall consist of up to 35 members, or their
12 designees, as set forth in this section. An appointing authority may reappoint a Council
13 member for successive terms.

14 (b) Governor's Appointments. – The Governor shall appoint the following
15 members:

- 16 (1) The head of an at-large State agency not represented in subsection (d)
17 of this section.
- 18 (2) An employee of a county government, nominated by the North
19 Carolina Association of County Commissioners.
- 20 (3) An employee of a municipal government, nominated by the North
21 Carolina League of Municipalities.
- 22 (4) An employee of the federal government who is stationed in North
23 Carolina.
- 24 (5) A representative from the Lead Regional Organizations.
- 25 (6) Two representatives of the private sector from the GIS industry and the
26 information consumer, respectively.
- 27 ~~(6)~~(7) A member of the general public.
- 28 ~~(7)~~(8) Other individuals whom the Governor deems appropriate to enhance
29 the efforts of geographic information coordination.

30 Members appointed by the Governor shall serve three-year terms. The Governor
31 shall appoint an individual from the membership of the Council to serve as Chair of the
32 Council. The member appointed shall serve as Chair for a term of one year.

33 (c) General Assembly Appointments. – The President Pro Tempore of the Senate
34 and the Speaker of the House of Representatives shall each appoint three members to
35 the Council. These members shall serve one-year terms.

36 (d) Other Members. – Other Council members shall include:

- 37 (1) The Secretary of State.
- 38 (2) The Commissioner of Agriculture.
- 39 (3) The Superintendent of Public Instruction.
- 40 (4) The Secretary of Environment and Natural Resources.
- 41 (5) The Secretary of the Department of Transportation.
- 42 (6) The Secretary of the Department of Administration.
- 43 (7) The Secretary of the Department of Commerce.
- 44 (8) The Secretary of the Department of Crime Control and Public Safety.

- 1 (9) The Secretary of the Department of Health and Human Services.
- 2 (10) The Secretary of the Department of Revenue.
- 3 (11) ~~The President of the North Carolina Community Colleges System.~~ The
4 Secretary of the Department of Cultural Resources.
- 5 (12) The President of The University of North Carolina System.
- 6 (13) The Chair of the Public Utilities Commission.
- 7 (14) The State Budget Officer.
- 8 (15) The Executive Director of the North Carolina League of
9 Municipalities.
- 10 (16) The Executive Director of the North Carolina Association of County
11 Commissioners.
- 12 (17) One representative from the State Government GIS User Committee.
- 13 (18) One representative elected annually from the Local Government
14 Committee established pursuant to subdivision (h)(2) of this section.
- 15 (19) The State Chief Information Officer who shall serve as a nonvoting
16 member.

17 Council members serving ex officio pursuant to this subsection shall serve terms
18 coinciding with their respective offices. Members serving by virtue of their appointment
19 by a standing committee of the Council shall serve for the duration of their appointment
20 by the standing committee.

21 (e) Meetings. – The Council shall meet at least quarterly on the call of the Chair.
22 The Management and Operations Committee shall conduct the Council's business
23 between quarterly meetings.

24 (f) Administration. – The Director of the CGIA shall be secretary of the Council
25 and provide staff support as it requires.

26 (g) Reports. – The Council shall report at least annually to the Governor and to
27 the Joint Legislative Commission on Governmental Operations.

28 (h) Committees. – The Council may establish work groups, as needed, and shall
29 oversee the standing committees created in this subsection. Each standing committee
30 shall adopt bylaws, subject to the Council's approval, to govern its proceedings. Except
31 as otherwise provided, the Chair of the Council shall appoint the standing committee
32 chairs from representatives listed in subsections (b), (c), or (d) of this section. The
33 standing committees are as follows:

- 34 (1) State Government GIS User Committee. – Membership shall consist of
35 representatives from all interested State government departments. The
36 Chair of the Council shall appoint the committee chair from one of the
37 State agencies represented in subsection (d) of this section.
- 38 (2) Local Government Committee. – Membership shall consist of
39 representatives from organizations and professional associations that
40 currently serve or represent local government GIS users, the North
41 Carolina League of Municipalities, the North Carolina Association of
42 County Commissioners, and Lead Regional Organizations. The
43 committee shall elect one of its members to the Council.

- 1 (3) Federal Interagency Committee. – Membership shall consist of
- 2 representatives from all interested federal agencies and Tribal
- 3 governments with an office located in North Carolina. The appointed
- 4 federal representative serving pursuant to subdivision (b)(4) of this
- 5 section shall serve as the Chair of the Federal Interagency Committee.
- 6 (4) Statewide Mapping Advisory Committee. – This committee shall
- 7 consolidate statewide mapping requirements and attempt to gain
- 8 statewide support for financing cooperative programs. The committee
- 9 shall also advise the Council on issues, problems, and opportunities
- 10 relating to federal, State, and local government geospatial data
- 11 programs.
- 12 (5) GIS Technical Advisory Committee. – This committee shall develop
- 13 the statewide technical architecture for GIS and anticipate and respond
- 14 to GIS technical opportunities and issues affecting State, county, and
- 15 local governments in North Carolina.
- 16 (6) Management and Operations Committee. – This committee
- 17 with oversight by the GICC and the Office of State Budget and
- 18 Management, shall set and manage the Statewide GIS Strategy. It shall
- 19 account for and assign any fiscal resources appropriated or otherwise
- 20 acquired from stakeholders for framework data stewardship plus other
- 21 key data resources that are mission critical to the Statewide GIS
- 22 Strategy. The Committee shall consider management and operational
- 23 matters related to GIS and other matters that are formally requested by
- 24 the Council. The committee membership shall consist of the Chair of
- 25 the Council, the State Budget Officer, the the State Chief Information
- 26 Officer, and chair of each of the standing committees of the Council,
- 27 and other members of the Council appointed by the Chair."

28
29 **PART XV DEPARTMENT OF ADMINISTRATION**

30
31 **SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS**

32 **Section 15.1.** G.S. 165-21 is rewritten as follows:

33 **"§ 165-21. Scholarship.**

34 (a) A scholarship granted pursuant to this Article shall consist of the following

35 benefits in either a State or private educational institution:

- 36 (1) With respect to State educational institutions, unless expressly limited
- 37 elsewhere in this Article, a scholarship shall consist of:
- 38 a. Tuition,
- 39 b. A reasonable board allowance,
- 40 c. A reasonable room ~~allowance~~, allowance at a college or
- 41 university-owned facility,
- 42 d. Matriculation and other institutional fees required to be paid as
- 43 a condition to remaining in said institution and pursuing the
- 44 course of study selected, ~~excluding charges or fees~~ including a

1 reasonable allowance as established by the Secretary of the
2 Department of Administration for books, supplies, ~~tools~~-tools,
3 personal computers and specialty ~~clothing~~-clothing required for
4 the student's course of study.

5 e. Travel allowance of \$100 per semester.

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

8 (3) Only one scholarship may be granted pursuant to this Article with
9 respect to each child and it shall not extend for a longer period than
10 four academic years, which years, however, need not be consecutive.
11 However, an extension may be granted by the Secretary of the
12 Department of Administration for unusual or compelling situations.

13 (4) No educational assistance shall be afforded a child under this Article
14 after the end of an eight-year period beginning on the date the
15 scholarship is first awarded. Those persons who have been granted a
16 scholarship under this Article prior to the effective date of this act shall
17 be entitled to the remainder of their period of scholarship eligibility if
18 used prior to August 1, 2010. Whenever a child is enrolled in an
19 educational institution and the period of entitlement ends while
20 enrolled in a term, quarter or semester, such period shall be extended
21 to the end of such term, quarter or semester, but not beyond the
22 entitlement limitation of four academic years.

23 (b) Repealed by Session Laws 2002-126, s. 19.3(b), effective November 1, 2002.

24 (c) If a child is awarded a scholarship under this Article, the Commission shall
25 notify the recipient by May 1st of the year in which the recipient enrolls in college."
26

27 PART XVI DEPARTMENT OF REVENUE

29 USE OF COLLECTION ASSISTANCE FEE

30 SECTION 16.1.(a) G.S. 105-243.1(e)(4) reads as rewritten:

31 "(4) To pay for postage or other delivery charges for correspondence
32 directly and primarily relating to collecting overdue tax debts, not to
33 exceed five hundred thousand dollars (\$500,000) a year."

34 SECTION 16.1.(b) The General Assembly finds that a computer system that
35 records tax payments and determines when the payments are overdue directly and
36 primarily relates to the collection of overdue tax debts and that the cost of the computer
37 system is subject to the collection assistance fee set forth in G.S. 105-243.1. The
38 Department of Revenue is authorized to use funds in the 20% Collection Assistance Fee
39 Account, Budget Code 24704-2474, during the ~~2007-2008~~ 2008-2009 fiscal year to
40 replace the Department's current computer system, and ten million dollars
41 (\$10,000,000) are appropriated for the 2008-2009 fiscal year to the Department for that
42 purpose. ~~The Department shall not use more than fifteen million dollars (\$15,000,000)~~
43 ~~from the Account to replace the Department's current computer system.~~ Funds
44 appropriated to the Department in this subsection may be transferred to Budget Code

24708-2478 during the 2008-2009 fiscal year ~~remain in the Account until withdrawn for expenditures for a replacement computer system and shall remain in the Account if not expended during the 2007-2008 fiscal year~~ for the purposes set forth in this subsection.

SECTION 16.1.(c) The Department of Revenue shall contract with private counsel with the pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with the Integrated Tax Administration System. G.S. 114-2.3 does not apply to this subsection.

SECTION 16.1.(d) Funds appropriated to the Department to be used from the 20% Collection Assistance Fee Account from the 2007-2008 fiscal year (fifteen million dollars, \$15,000,000) are authorized to be used during the 2008-2009 fiscal year for ITAS replacement. These funds may be transferred to Budget Code 24708-2478 for the purpose set forth in this subsection.

PART XVII. SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE

SECTION 17.1.(a) Effective July 1, 2008, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred thirty five thousand eight hundred fifty four dollars (\$135,854)~~ one hundred thirty-seven thousand eight hundred ninety-two dollars (\$137,892) annually, payable monthly."

SECTION 17.1.(b) Effective July 1, 2008, the annual salaries for the members of the Council of State, payable monthly, for the 2008-2009 fiscal year are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$ 121,700
Attorney General	121,700
Secretary of State	121,700
State Treasurer	121,700
State Auditor	121,700
Superintendent of Public Instruction	121,700
Agriculture Commissioner	121,700
Insurance Commissioner	121,700
Labor Commissioner	121,700

NON-ELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 17.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the non-elected heads of the principal State departments for the 2008-2009 fiscal year are:

<u>Non-elected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$ 118,899

1	Secretary of Correction	118,899
2	Secretary of Crime Control and Public Safety	118,899
3	Secretary of Cultural Resources	118,899
4	Secretary of Commerce	118,899
5	Secretary of Environment, Health, and Natural Resources	118,899
6	Secretary of Human Resources	118,899
7	Secretary of Revenue	118,899
8	Secretary of Transportation	118,899

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 17.3. The annual salaries, payable monthly, for the 2008-2009 fiscal year for the following executive branch officials are:

	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
14	Chairman, Alcoholic Beverage Control Commission	\$ 108,220
15	State Controller	151,454
16	Commissioner of Motor Vehicles	108,220
17	Commissioner of Banks	121,700
18	Chairman, Employment Security Commission	133,161
19	State Personnel Director	118,899
20	Chairman, Parole Commission	98,818
21	Members of the Parole Commission	45,616
22	Chairman, Utilities Commission	135,534
23	Members of the Utilities Commission	121,700
24	Executive Director, Agency for Public Telecommunications	91,232
25	Director, Museum of Art	110,891
26	Executive Director, North Carolina Agricultural	
27	Finance Authority	105,338
28	State Chief Information Officer	151,363

JUDICIAL BRANCH OFFICIALS/SALARY INCREASE

SECTION 17.4.(a) The annual salaries, payable monthly, for specified judicial branch officials the 2008-2009 fiscal year are:

	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
35	Chief Justice, Supreme Court	\$139,217
36	Associate Justice, Supreme Court	135,580
37	Chief Judge, Court of Appeals	132,190
38	Judge, Court of Appeals	129,931
39	Judge, Senior Regular Resident Superior Court	126,400
40	Judge, Superior Court	122,869
41	Chief Judge, District Court	111,572
42	Judge, District Court	108,042
43	District Attorney	117,854

1 Minimum \$26,788\$27,190
 2 Maximum 41,456. 42,078.

3
 4 **MAGISTRATES' SALARY INCREASES**

5 **SECTION 17.7.(a)** Effective July 1, 2008, G.S. 7A-171.1(a) reads as
 6 rewritten:

7 "(a) The Administrative Officer of the Courts, after consultation with the chief
 8 district judge and pursuant to the following provisions, shall set an annual salary for
 9 each magistrate.

10 (1) A full-time magistrate shall be paid the annual salary indicated in the
 11 table set out in this subdivision. A full-time magistrate is a magistrate
 12 who is assigned to work an average of not less than 40 hours a week
 13 during the term of office. The Administrative Officer of the Courts
 14 shall designate whether a magistrate is full-time. Initial appointment
 15 shall be at the entry rate. A magistrate's salary shall increase to the
 16 next step every two years on the anniversary of the date the magistrate
 17 was originally appointed for increases to Steps 1 through 3, and every
 18 four years on the anniversary of the date the magistrate was originally
 19 appointed for increases to Steps 4 through 6.

20 Table of Salaries of Full-Time Magistrates

21 Step Level	Annual Salary
22 Entry Rate	\$31,533 <u>\$32,006</u>
23 Step 1	34,425 <u>34,941</u>
24 Step 2	37,571 <u>38,135</u>
25 Step 3	41,006 <u>41,621</u>
26 Step 4	44,768 <u>45,440</u>
27 Step 5	49,007 <u>49,742</u>
28 Step 6	53,760 <u>54,566.</u>

29 (2) A part-time magistrate is a magistrate who is assigned to work an
 30 average of less than 40 hours of work a week during the term, except
 31 that no magistrate shall be assigned an average of less than 10 hours of
 32 work a week during the term. A part-time magistrate is included, in
 33 accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10)
 34 and G.S. 135-40.2(a). The Administrative Officer of the Courts
 35 designates whether a magistrate is a part-time magistrate. A part-time
 36 magistrate shall receive an annual salary based on the following
 37 formula: The average number of hours a week that a part-time
 38 magistrate is assigned work during the term shall be multiplied by the
 39 annual salary payable to a full-time magistrate who has the same
 40 number of years of service prior to the beginning of that term as does
 41 the part-time magistrate and the product of that multiplication shall be
 42 divided by the number 40. The quotient shall be the annual salary
 43 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 17.7.(b) Effective July 1, 2008, G.S. 7A-171.1(a1) 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	\$25,428	<u>\$25,809</u>
1 or more but less than 3 years of service	26,595	<u>26,994</u>
3 or more but less than 5 years of service	28,944.	<u>29,378.</u>

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection."

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 17.8. Effective July 1, 2008, 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 ~~one hundred one thousand two hundred ninety eight dollars (\$101,298)~~ one hundred two thousand eight hundred seventeen dollars (\$102,817) 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~~

1 ~~provided by the rules of their House.~~ The Legislative Services Commission shall review
2 the salary of the principal clerks prior to submission of the proposed operating budget of
3 the General Assembly to the Governor and Advisory Budget Commission and shall
4 make appropriate recommendations for changes in those salaries. Any changes enacted
5 by the General Assembly shall be by amendment to this paragraph."
6

7 **SERGEANT-AT-ARMS AND READING CLERKS**

8 **SECTION 17.9.** Effective July 1, 2008, G.S. 120-37(b) reads as rewritten:

9 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a
10 salary of ~~three hundred fifty nine dollars (\$359.00)~~ three hundred sixty-four dollars
11 (\$364.00) per week plus subsistence at the same daily rate provided for members of the
12 General Assembly, plus mileage at the rate provided for members of the General
13 Assembly for one round trip only from their homes to Raleigh and return. The
14 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
15 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
16 be authorized by the Legislative Services Commission. The reading clerks shall serve
17 during sessions only."
18

19 **LEGISLATIVE EMPLOYEES**

20 **SECTION 17.10.** The Legislative Services Officer shall increase the salaries
21 of nonelected employees of the General Assembly in effect for fiscal year 2007-2008 by
22 one and one-half percent (1.5%). Nothing in this act limits any of the provisions of
23 G.S. 120-32.
24

25 **COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES**

26 **SECTION 17.11.(a)** The Director of the Budget shall transfer from the
27 Reserve for Compensation Increases, created in this act for fiscal year 2008-2009, funds
28 to the North Carolina Community Colleges System Office necessary to provide an
29 annual salary increase of one and one-half percent (1.5%), including funds for the
30 employer's retirement and social security contributions, commencing July 1, 2008, for
31 all permanent full-time community college institutional personnel supported by State
32 funds.
33

34 **UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES**

35 **SECTION 17.12.(a)** The Director of the Budget shall transfer to the Board
36 of Governors of The University of North Carolina sufficient funds from the Reserve for
37 Compensation Increases, created in this act for fiscal year 2008-2009, to provide an
38 annual salary increase of one and one-half percent (1.5%), including funds for the
39 employer's retirement and social security contributions, commencing July 1, 2008, for
40 all employees of The University of North Carolina, as well as employees other than
41 teachers of the North Carolina School of Science and Mathematics, supported by State
42 funds and whose salaries are exempt from the State Personnel Act (EPA).
43

44 **COMPENSATION BONUS FOR FISCAL YEAR 2008-2009**

1 **SECTION 17.13A.(a)** Except as provided by subsection (b) of this section,
2 any person (i) whose salary is set pursuant to the State Personnel Act under this Part and
3 (ii) who is employed in a State-funded position on July 1, 2008, shall be awarded a
4 one-time, lump-sum compensation bonus for the 2008-2009 fiscal year in the amount of
5 one thousand dollars (\$1,000). The compensation bonus shall be adjusted pro rata for
6 permanent part-time employees. The Director of the Budget shall transfer sufficient
7 funds from the Reserve for Compensation Increases provided in this act to implement
8 this section. The compensation bonus awarded by this section shall not be administered
9 under G.S. 126-7. The compensation bonus shall be awarded to eligible employees
10 without regard to an employee's placement within the salary range, including employees
11 at the top of the salary range.

12 **SECTION 17.13A.(b)** The following persons shall not be eligible for the
13 compensation bonus authorized by this section:
14 Any public school employee or State employee paid on the Teacher Salary Schedule or
15 the School Based Administrator Salary Schedule.

16 17 **MOST STATE EMPLOYEES**

18 **SECTION 17.14.(a)** The salaries in effect June 30, 2008, of all permanent
19 full-time State employees whose salaries are set in accordance with the State Personnel
20 Act, and who are paid from the General Fund or the Highway Fund shall be increased,
21 on or after July 1, 2008, unless otherwise provided by this act, by one and one-half
22 percent (1.5%).

23 **SECTION 17.14.(b)** Except as otherwise provided in this act, the fiscal year
24 2008-2009 salaries for permanent full-time State officials and persons in exempt
25 positions that are recommended by the Governor or the Governor and the Advisory
26 Budget Commission and set by the General Assembly shall be increased by one and
27 one-half percent (1.5%), commencing July 1, 2008.

28 **SECTION 17.14.(c)** The salaries in effect for fiscal year 2008-2009 for all
29 permanent part-time State employees shall be increased on and after July 1, 2008, by
30 pro rata amounts of the one and one-half percent (1.5%) salary increase provided for
31 permanent full-time employees covered under this part.

32 **SECTION 17.14.(d)** The Director of the Budget may allocate out of special
33 operating funds or from other sources of the employing agency, except tax revenues,
34 sufficient funds to allow a salary increase, on and after July 1, 2008, in accordance with
35 subsection (a), (b), or (c) of this section including funds for the employer's retirement
36 and social security contributions, for the permanent full-time and part-time employees
37 of the agency, provided the employing agency elects to make available the necessary
38 funds.

39 **SECTION 17.14.(e)** Within regular State Budget Act procedures as limited
40 by this act, all State agencies and departments may increase on an equitable basis the
41 rate of pay of temporary and permanent hourly State employees, subject to availability
42 of funds in the particular agency or department, by pro rata amounts of the one and
43 one-half percent (1.5%) salary increase provided for permanent full-time employees
44 covered by the provisions of subsection (a), commencing July 1, 2008.

1
2 **SPECIAL ANNUAL LEAVE BONUS**

3 **SECTION 17.15A.(a)** Except as provided by subsection (b) of this section,
4 any person (i) who is a full-time permanent employee of the State, a community college
5 institution, or a local board of education on July 1, 2008, and (ii) who is eligible to earn
6 annual leave shall have a one-time additional five days of annual leave credited on that
7 date. The additional leave shall be accounted for separately and shall remain available
8 until used, notwithstanding any other limitation on the total number of days of annual
9 leave that may be carried forward. Part-time permanent employees shall receive a pro
10 rata amount of the five days.

11 **SECTION 17.15A.(b)** The following persons are not eligible to receive the
12 special annual leave bonus authorized by this section:

- 13 (1) Any employee or officer who does not earn annual leave.
14 (2) Employees who receive during the 2008-2009 fiscal year an automatic
15 or step increase under G.S. 7A-102(c), 7A-171.1, or 20-187.3.
16 (3) Any public school employee or State employee paid on the Teacher
17 Salary Schedule or the School Based Administrator Salary Schedule.
18

19 **ALL STATE-SUPPORTED PERSONNEL**

20 **SECTION 17.16.(a)** Salaries and related benefits for positions that are
21 funded partially from the General Fund or Highway Fund and partially from sources
22 other than the General Fund or Highway Fund shall be increased from the General Fund
23 or Highway Fund appropriation only to the extent of the proportionate part of the
24 salaries paid from the General Fund or Highway Fund.

25 **SECTION 17.16.(b)** The granting of the salary increases under this act does
26 not affect the status of eligibility for salary increments for which employees may be
27 eligible unless otherwise required by this act.

28 **SECTION 17.16.(c)** The salary increases provided in this act are to be
29 effective July 1, 2008, do not apply to persons separated from State service due to
30 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
31 prior to July 1, 2008.

32 Payroll checks issued to employees after July 1, 2008, which represent
33 payment of services provided prior to July 1, 2008, shall not be eligible for salary
34 increases provided for in this act. This subsection shall apply to all employees, subject
35 to or exempt from the State Personnel Act, paid from State funds, including public
36 schools, community colleges, and The University of North Carolina.

37 **SECTION 17.16.(d)** The Director of the Budget shall transfer from the
38 Reserve for Compensation Increases in this act for fiscal year 2008-2009 all funds
39 necessary for the salary increases provided by this act, including funds for the
40 employer's retirement and social security contributions.

41 **SECTION 17.16.(e)** Nothing in this act authorizes the transfer of funds
42 between the General Fund and the Highway Fund for salary increases.
43

44 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

1 **SECTION 17.17.(a)** Required employer salary-related contributions for
2 employees whose salaries are paid from department, office, institution, or agency
3 receipts shall be paid from the same source as the source of the employees' salary. If an
4 employee's salary is paid in part from the General Fund or Highway Fund and in part
5 from department, office, institution, or agency receipts, required employer salary-related
6 contributions may be paid from the General Fund or Highway Fund only to the extent of
7 the proportionate part paid from the General Fund or Highway Fund in support of the
8 salary of the employee, and the remainder of the employer's requirements shall be paid
9 from the source that supplies the remainder of the employee's salary. The requirements
10 of this section as to source of payment are also applicable to payments on behalf of the
11 employee for hospital-medical benefits, longevity pay, unemployment compensation,
12 accumulated leave, workers' compensation, severance pay, separation allowances, and
13 applicable disability income benefits.

14
15 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
16 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
17 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**
18 **RETIREMENT SYSTEM**

19 **SECTION 17.18.(a)** G.S. 135-5(iii) is amended to read:

20 "(iii) From and after July 1, 2001, the retirement allowance to or on account of
21 beneficiaries whose retirement commenced on or before July 1, ~~2000, 2007~~, shall be
22 increased by ~~two percent (2%)~~ one and two-tenths percent (1.2%) of the allowance
23 payable on June 1, ~~2001, 2008~~, in accordance with G.S. 135-5(o). Furthermore, from
24 and after July 1, ~~2001, 2008~~, the retirement allowance to or on account of beneficiaries
25 whose retirement commenced after July 1, ~~2000, 2007~~, but before June 30, ~~2001, 2008~~,
26 shall be increased by a prorated amount of ~~two percent (2%)~~ one and two-tenths percent
27 (1.2%) of the allowance payable as determined by the Board of Trustees based upon the
28 number of months that a retirement allowance was paid between July 1, ~~2000, 2007~~, and
29 June 30, ~~2001, 2008~~."

30 **SECTION 17.18(b)** G.S. 135-65(v) is amended to read:

31 "(v) From and after July 1, ~~2001, 2008~~, the retirement allowance to or on account
32 of beneficiaries whose retirement commenced on or before July 1, ~~2000, 2007~~, shall be
33 increased by ~~two percent (2%)~~ one and two-tenths percent (1.2%) of the allowance
34 payable on June 1, ~~2001, 2008~~. Furthermore, from and after July 1, ~~2001, 2008~~, the
35 retirement allowance to or on account of beneficiaries whose retirement commenced
36 after July 1, ~~2000, 2007~~, but before June 30, ~~2001, 2008~~, shall be increased by a
37 prorated amount of ~~two percent (2%)~~ one and two-tenths percent (1.2%) of the
38 allowance payable as determined by the Board of Trustees based upon the number of
39 months that a retirement allowance was paid between July 1, ~~2000, 2007~~, and June 30,
40 ~~2001, 2008~~."

41 **SECTION 17.18(c)** G.S. 120-4.22A(p) is amended to read:

42 "(p) In accordance with subsection (a) of this section, from and after July 1, ~~2001,~~
43 2008, the retirement allowance to or on account of beneficiaries whose retirement
44 commenced on or before January 1, ~~2001, 2008~~, shall be increased by ~~two percent (2%)~~

1 one and two-tenths percent (1.2%) of the allowance payable on June 1, 2001-2008.
 2 Furthermore, from and after July 1, 2001-2008, the retirement allowance to or on
 3 account of beneficiaries whose retirement commenced after January 1, 2001-2008, but
 4 before June 30, 2001-2008, shall be increased by a prorated amount of ~~two percent~~
 5 ~~(2%)~~ one and two-tenths percent (1.2%) of the allowance payable as determined by the
 6 Board of Trustees based upon the number of months that a retirement allowance was
 7 paid between January 1, 2001-2008, and June 30, 2001-2008."

8 **SECTION 17.18(d)** G.S. 128-27(zz) is amended to read:

9 "(zz) From and after July 1, 2001-2008, the retirement allowance to or on account
 10 of beneficiaries whose retirement commenced on or before July 1, 2000-2007, shall be
 11 increased by ~~two percent (2%)~~ one and two-tenths percent (1.2%) of the allowance
 12 payable on June 1, 2001-2008, in accordance with subsection (k) of this section.
 13 Furthermore, from and after July 1, 2001-2008, the retirement allowance to or on
 14 account of beneficiaries whose retirement commenced after July 1, 2000-2007, but
 15 before June 30, 2001-2008, shall be increased by a prorated amount of ~~two percent~~
 16 ~~(2%)~~ one and two-tenths percent (1.2%) of the allowance payable as determined by the
 17 Board of Trustees based upon the number of months that a retirement allowance was
 18 paid between July 1, 2000-2007, and June 30, 2001-2008."

19
 20 **PART XVIII. CAPITAL APPROPRIATIONS.**

21
 22 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

23 **SECTION 18.1.** The appropriations made by the 2008 General Assembly
 24 for capital improvements are for constructing, repairing, or renovating State buildings,
 25 utilities, and other capital facilities, for acquiring sites for them where necessary, and
 26 acquiring buildings and land for State government purposes.

27
 28 **CAPITAL APPROPRIATIONS/GENERAL FUND**

29 **SECTION 18.2.** There is appropriated from the General Fund for the
 30 2008-2009 fiscal year the following amount for capital improvements:

31		
32	Capital Improvements – General Fund	2008-2009
33		
34	Department of Cultural Resources	
35	Museum of History Chronology Exhibit Phase I	\$2,600,000
36	Museum of Art Expansion (supplement)	5,126,700
37	Mattamuskeet Lodge Renovations	15,022,790
38		
39	Department of Administration	
40	North Carolina Freedom Monument – Phase I	\$1,000,000
41		
42	Department of Agriculture	
43	Study Veterinary Diagnostic Laboratory System	620,000
44	Agriculture Building Renovation Planning	1,225,000

1	Motor Fuels/Metrology Labs – Planning	1,000,000
2	Southeastern NC Agricultural Center Pavilion	3,701,700
3	Horse Barns at the Hunt Horse Complex	900,000
4		
5	Department of Commerce	
6	Wanchese Fire Protection Improvements	110,900
7	Wanchese Road Repair and Road Construction	94,800
8	Wanchese Wastewater Treatment System (supplement)	400,000
9	Wanchese Seafood Industrial Park Green Initiative	250,000
10		
11	State Ports Authority	
12	Ports of Wilmington Berth 8 Replacement Phase I	5,000,000
13	Port of Morehead City Port-wide Berth Structure Construction	2,500,000
14		
15	Department of Environment and Natural Resources	
16	NC Zoo – Polar Bear Exhibit Addition and Renovation	2,700,000
17	NC Zoo – Children's Nature Zoo	2,700,000
18	NC Zoo – Africa Pavilion Replacement – Planning	600,000
19	Water Resources Development Projects	25,736,000
20	State Highway Patrol	
21	Training Academy Facilities and Dormitory – Planning	1,790,300
22		
23	Department of Justice	
24	Addition to SBI Buildings 17 and 18	1,792,006
25		
26	Department of Crime Control and Public Safety	
27	Master Planning Statewide – Phase II of V	300,300
28	Camp Butner Training Site Buffer – Phase II	126,200
29	Butner Training Sewer Extension & Latrine Replacement	245,430
30	Gastonia Armory Rehab, Addition and Alteration	527,100
31	Siler City Armory Rehab, Addition and Alteration	929,600
32		
33	UNC System – Board of Governors	
34	Fire Sprinkler Systems	20,000,000
35		
36	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$96,998,826

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

39 **SECTION 18.3.(a)** The Department of Environment and Natural Resources
 40 shall allocate the funds appropriated in this act for water resources development projects
 41 to the following projects whose costs are as indicated:

42	Name of Project	2008-2009
43		
44	(1) Wilmington Harbor Deepening	\$ 1,000,000

1	(2)	Wilmington Harbor Maintenance	500,000
2	(3)	Morehead City Harbor Maintenance	-
3	(4)	B. Everett Jordan Water Supply Storage	200,000
4	(5)	Dredging Contingency Fund	4,000,000
5	(6)	North Carolina Beach and Inlet Management	250,000
6	(7)	Neuse River Basin Study	33,000
7	(8)	Manteo Channel Maintenance	100,000
8	(9)	Currituck Sound Water Management Study	50,000
9	(10)	Planning Assistance to Communities	100,000
10	(11)	Bogue Banks Beach Protection	120,000
11	(12)	West Onslow Beach (Topsail Beach County)	-
12	(13)	Belhaven Harbor Feasibility	15,000
13	(14)	Princeville Flood Control	-
14	(15)	Surf City – N. Topsail Beach Protection	-
15	(16)	N,C. International Terminal	500,000
16	(17)	AIWW Dredging	3,500,000
17	(18)	State-Local Projects	2,000,000
18	(19)	Aquatic Plant Control, Statewide/Lake Gaston	200,000
19	(20)	Aquatic Weeds Program Storage Facility	100,000
20	(21)	Hammocks Beach State	2,600,000
21	(22)	Dillsboro Dam Removal	400,000
22	(23)	Topsail Beach Emergency Nourishment	2,000,000
23	(24)	Little Fork Creek (Rendezvous State Park)	423,000
24	(25)	Concord Stream Restoration (Cabarrus Co)	1,020,000
25	(26)	Wilson Bay Restoration Onslow County	931,000
26	(27)	Deep Creek Structure (Yadkin) County	5,444,000
27	(28)	Soil & Water Cons. – Swan Quarter Dike	250,000
28			
29		TOTALS	\$25,736,000
30			

SECTION 18.3.(b) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2008-2009 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.
- (2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2008-2009.
- (3) State-local water resources development projects.

Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2009-2010 fiscal year.

1 **SECTION 18.3.(c)** The Department shall make semiannual reports on the
2 use of these funds to the Joint Legislative Commission on Governmental Operations,
3 the Fiscal Research Division, and the Office of State Budget and Management. Each
4 report shall include all of the following:

- 5 (1) All projects listed in this section.
- 6 (2) The estimated cost of each project.
- 7 (3) The date that work on each project began or is expected to begin.
- 8 (4) The date that work on each project was completed or is expected to be
9 completed.
- 10 (5) The actual cost of each project.

11 The semiannual reports shall also show those projects advanced in schedule,
12 those projects delayed in schedule, and an estimate of the amount of funds expected to
13 revert to the General Fund.

14 **UNC BOARD OF GOVERNORS – FIRE SPRINKLER SYSTEMS**

15 **SECTION 18.4.** The funds allocated to the Board of Governors of The
16 University of North Carolina in Section 18.2 shall be used by the Board of Governors
17 for the installation of fire sprinklers in University residence halls. Such funds shall be
18 allocated among the University's constituent institutions by the President of The
19 University of North Carolina, who shall consider the following factors when allocating
20 those funds:
21

- 22 (1) The safety and well-being of the residents of campus housing
23 programs.
- 24 (2) The current level of housing rents charged to students and how that
25 compares to an institution's public peers and other UNC institutions.
- 26 (3) The level of previous authorizations to constituent institutions for the
27 construction or renovation of residence halls funded from the General
28 Fund, or from bonds or certificates of participation supported by the
29 General Fund, since 1996.
- 30 (4) The financial status of each constituent institution's housing system,
31 including debt capacity, debt coverage ratios, credit rankings, required
32 reserves, the planned use of cash balances for other housing system
33 improvements, and the constituent institution's ability to pay for the
34 installation of fire sprinklers in all residence halls.
- 35 (5) The total cost of each proposed project, including the cost of installing
36 fire sprinklers and the cost of other construction, such as asbestos
37 removal and additional water supply needs.

38 **REPAIR AND RENOVATION RESERVE ALLOCATION**

39 **SECTION 18.5.** Of the funds in the Reserve for Repairs and Renovations
40 for the 2008-2009 fiscal year, fifty percent (50%) shall be allocated to the Board of
41 Governors of The University of North Carolina for repairs and renovations pursuant to
42 G.S. 143C-4-3, in accordance with guidelines developed in The University of North
43 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
44

1 approved by the Board of Governors of The University of North Carolina, and fifty
 2 percent (50%) shall be allocated to the Office of State Budget and Management for
 3 repairs and renovations pursuant to G.S. 143C-4-3.

4 Notwithstanding G.S. 143C-4-3, the Board of Governors or the Office of
 5 State Budget and Management may allocate funds for the repair and renovation of
 6 facilities not supported from the General Fund if it is determined that sufficient funds
 7 are not available from other sources and that conditions warrant General Fund
 8 assistance. Any such finding shall be included in the submissions to the Joint
 9 Legislative Commission on Governmental Operations on the proposed allocations of
 10 funds.

11 The Board of Governors and the Office of State Budget and Management
 12 shall consult with the Joint Legislative Commission on Governmental Operations prior
 13 to the allocation or reallocation of these funds.

14
 15 **SPECIAL INDEBTEDNESS PROJECTS**

16 **SECTION 18.6.(a)** The State, with the prior approval of the State Treasurer
 17 and the Council of State, as provided in Article 9 of Chapter 142 of the General
 18 Statutes, is authorized to issue or incur special indebtedness in order to provide funds to
 19 the State to be used, together with other available funds, to pay the capital facility costs
 20 of the projects described in this subsection. In accordance with G.S. 142-83, this
 21 subsection authorizes the issuance or incurrence of special indebtedness:

	Amount	Project
22		
23		
24		
25	(1) \$40,400,000	Planning, design, and construction of a new Capital
26		Area Visitors Center and Parking Garage in
27		downtown Raleigh.
28		
29	(2) \$109,479,000	To the Department of Environment and Natural
30		Resources for construction of the Green Square
31		Complex, including a 172,000 sq. ft. DENR Office
32		Building, 79,400 sq. ft. Nature Research Center, and
33		approximately 418 parking spaces.
34		
35	(3) \$45,170,500	To the Department of Correction for planning,
36		design, and construction of a women's health and
37		mental health medical facility at the NC Correctional
38		Institution for Women.
39		
40	(4) \$12,316,600	Planning, design, and construction of a 252 bed
41		minimum security addition to the Scotland
42		Correctional Institution.
43		

1	(5)	\$18,942,200	Planning design, and construction of a 504 bed
2			medium security addition to the Bertie Correctional
3			Institution.
4			
5	(6)	\$18,942,200	Planning design, and construction of a 504 bed
6			medium security addition to the Lanesboro
7			Correctional Institution.
8			
9	(7)	\$13,007,500	Planning, design, and construction of a 252
10			bed minimum security addition to the Tabor
11			Correctional Institution.
12			
13	(8)	\$62,000,000	To complete a new 112,000 square foot building for a
14			dental school on the Health Sciences Campus at East
15			Carolina University and 10 satellite clinics in the
16			region.
17			
18	(9)	\$97,000,000	For construction of a new 279,000 square foot
19			Library on Centennial Campus at North Carolina
20			State University.
21			
22	(10)	\$69,000,000	For construction of a new 216,000 square foot
23			building for the School of Dentistry at the University
24			of North Carolina at Chapel Hill.
25			
26	(11)	\$9,799,000	Supplemental funds to complete the Student Activity
27			Center at Winston-Salem State University.
28			
29	(12)	\$42,667,000	To provide a 120,000 square foot Academic
30			Classroom and Office Building at the University of
31			North Carolina at Greensboro.
32			
33	(13)	\$14,480,000	For design and construction of a 36,000 square foot
34			general classroom building for the Upper Coastal
35			Plain Higher Education Center in Rocky Mount.
36		\$553,204,000	Total

MAXIMUM AMOUNT

SECTION 18.6.(b) Except as otherwise provided by this act, the aggregate amount of special indebtedness issued pursuant to this act shall not exceed five hundred forty-three million two hundred four thousand dollars (\$553,204,000). The maximum aggregate special indebtedness issued pursuant to this act shall not exceed the following amounts for each fiscal year:

<u>Fiscal Year</u>	<u>Aggregate Amount</u>
--------------------	-------------------------

1	2008-2009	\$200,000,000
2	2009-2010	\$200,000,000
3	2010-2011	\$153,204,000

4 If less than the aggregate amount of special indebtedness authorized to be issued in a
 5 fiscal year is issued in that fiscal year, the balance for that fiscal year may be issued in
 6 any subsequent fiscal year.

7 **SECTION 18.6.(c)** Except as otherwise provided in this act, this act is
 8 effective when it becomes law.

9

10 **IRC CODE UPDATE/BONUS DEPRECIATION**

11 **SECTION 19.1.(a)** G.S. 105-228.90(b)(1b) reads as rewritten:

12 "(1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2007,~~
 13 May 1, 2008, including any provisions enacted as of that date which
 14 become effective either before or after that date."

15 **SECTION 19.1.(b)** Notwithstanding Section 1 of this act, any amendments
 16 to the Internal Revenue Code enacted after January 1, 2007, that increase North
 17 Carolina taxable income for the 2007 taxable year become effective for taxable years
 18 beginning on or after January 1, 2008.

19 **SECTION 19.1.(c)** G.S. 105-130.5(a) reads as rewritten:

20 "(a) The following additions to federal taxable income shall be made in
 21 determining State net income:

22

23 ...
 24 (15) ~~The~~ For taxable years 2002-2005, the applicable percentage of the
 25 amount allowed as a special accelerated depreciation deduction under
 26 section 168(k) or section 1400L of the Code, as set out in the table
 27 below. In addition, a taxpayer who was allowed a special accelerated
 28 depreciation deduction under section 168(k) or section 1400L of the
 29 Code in a taxable year beginning before January 1, 2002, and whose
 30 North Carolina taxable income in that earlier year reflected that
 31 accelerated depreciation deduction must add to federal taxable income
 32 in the taxpayer's first taxable year beginning on or after January 1,
 33 2002, an amount equal to the amount of the deduction allowed in the
 34 earlier taxable year. These adjustments do not result in a difference in
 35 basis of the affected assets for State and federal income tax purposes.
 36 The applicable percentage is as follows:

37

Taxable Year	Percentage
38 2002	100%
39 2003	70%
40 2004	70%
41 2005 and thereafter	0%

42

43"

1 **SECTION 19.1.(d)** G.S. 105-130.5(a) is amended by adding a new
 2 subdivision to read:

3 "(a) The following additions to federal taxable income shall be made in
 4 determining State net income:

5 ...

6 (15a) The applicable percentage of the amount allowed as a special
 7 accelerated depreciation deduction under section 168(k) of the Code
 8 for property placed in service after December 31, 2007, but before
 9 January 1, 2009. In addition, a taxpayer who was allowed a special
 10 accelerated depreciation deduction in taxable year 2007 for property
 11 placed in service during that period, and whose North Carolina taxable
 12 income for that year reflected that accelerated depreciation deduction
 13 must add to federal taxable income in the taxpayer's 2008 taxable year
 14 an amount equal to the applicable percentage of the deduction amount
 15 allowed in the 2007 taxable year. These adjustments do not result in a
 16 difference in basis of the affected assets for State and federal income
 17 tax purposes. The applicable percentage under this subdivision is
 18 eighty-five percent (85%).

19 "

20 **SECTION 19.1.(e)** G.S. 105-134.6(c) reads as rewritten:

21 "(c) Additions. – The following additions to taxable income shall be made in
 22 calculating North Carolina taxable income, to the extent each item is not included in
 23 taxable income:

24 ...

25 (8) ~~The~~ For taxable years 2002-2005, the applicable percentage of the
 26 amount allowed as a special accelerated depreciation deduction under
 27 section 168(k) or section 1400L of the Code, as set out in the table
 28 below. In addition, a taxpayer who was allowed a special accelerated
 29 depreciation deduction under section 168(k) or section 1400L of the
 30 Code in a taxable year beginning before January 1, 2002, and whose
 31 North Carolina taxable income in that earlier year reflected that
 32 accelerated depreciation deduction must add to federal taxable income
 33 in the taxpayer's first taxable year beginning on or after January 1,
 34 2002, an amount equal to the amount of the deduction allowed in the
 35 earlier taxable year. These adjustments do not result in a difference in
 36 basis of the affected assets for State and federal income tax purposes.
 37 The applicable percentage is as follows:

Taxable Year	Percentage
2002	100%
2003	70%
2004	70%
2005 and thereafter	0%

43 "

1 **SECTION 19.1.(f)** G.S. 105-134.6(c) is amended by adding a new
2 subdivision to read:

3 "(c) Additions. – The following additions to taxable income shall be made in
4 calculating North Carolina taxable income, to the extent each item is not included in
5 taxable income:

6 ...
7 (8a) The applicable percentage of the amount allowed as a special
8 accelerated depreciation deduction under section 168(k) of the Code
9 for property placed in service after December 31, 2007, but before
10 January 1, 2009. In addition, a taxpayer who was allowed a special
11 accelerated depreciation deduction in taxable year 2007 for property
12 placed in service for that period, and whose North Carolina taxable
13 income for that year reflected that accelerated depreciation deduction
14 must add to federal taxable income in the taxpayer's 2008 taxable year
15 an amount equal to the applicable percentage of the deduction amount
16 allowed in the 2007 taxable year. These adjustments do not result in a
17 difference in basis of the affected assets for State and federal income
18 tax purposes. The applicable percentage under this subdivision is
19 eighty-five percent (85%).

20 "

21 **SECTION 19.1.(g)** G.S. 105-130.5(b) is amended by adding a new
22 subdivision to read:

23 "(b) The following deductions from federal taxable income shall be made in
24 determining State net income:

25 ...
26 (21a) In each of the taxpayer's first five taxable years beginning on or after
27 January 1, 2009, an amount equal to twenty percent (20%) of the
28 amount added to taxable income in taxable year 2008 as accelerated
29 depreciation under subdivision (a)(15a) of this section.

30 "

31 **SECTION 19.1.(h)** G.S. 105-134.6(b) is amended by adding a new
32 subdivision to read:

33 "(b) Deductions. – The following deductions from taxable income shall be made
34 in calculating North Carolina taxable income, to the extent each item is included in
35 taxable income:

36 ...
37 (17a) In each of the taxpayer's first five taxable years beginning on or after
38 January 1, 2009, an amount equal to twenty percent (20%) of the
39 amount added to taxable income in taxable year 2008 as accelerated
40 depreciation under subdivision (c)(8a) of this section.

41 "

42 **SECTION 19.1.(i)** This section is effective January 1, 2008.

43 **EXTEND PORTS AND RESEARCH AND DEVELOPMENT TAX CREDITS**

1 **SECTION 19.2.(a)** G.S. 105-129.51(b) reads as rewritten:
2 "(b) This Article is repealed for taxable years beginning on or after January 1,
3 ~~2009-2013.~~"
4 **SECTION 19.2.(b)** G.S. 105-130.41(d) reads as rewritten:
5 "(d) Sunset. – This section is repealed effective for taxable years beginning on or
6 after January 1, ~~2009-2013.~~"
7 **SECTION 19.2.(c)** G.S. 105-151.22(d) reads as rewritten:
8 "(d) Sunset. – This section is repealed effective for taxable years beginning on or
9 after January 1, ~~2009-2013.~~"
10 **SECTION 19.2.(d)** The section shall take effect immediately.

11
12 **CREATE SALES TAX HOLIDAY FOR ENERGY STAR PRODUCTS**
13 **SECTION 19.3.(a)** G.S. 105-164.3 is amended to add a new subdivision to
14 read:
15 "~~8g.~~ ENERGY STAR Qualified Product – A product that meets the energy
16 efficient guidelines set by the United States Environmental Protection
17 Agency and the United States Department of Energy that are
18 authorized to carry the ENERGY STAR label."

19 **SECTION 19.3.(b)** G.S. 105-164.13C is amended by adding a new
20 subparagraph (b) to read and to renumber:
21 "..."
22 **(b)** The taxes imposed by this Article do not apply to the following items of
23 tangible personal property if sold between 12:01 A.M. on the fourth Friday of October
24 and 11:59P.M.of the following Sunday: Clothes washers, dehumidifiers, dishwashers,
25 refrigerators and freezers, room air conditioners, compact fluorescent light bulbs, and
26 programmable thermostats that are ENERGY STAR Qualified Products with a sales
27 price."

28 **SECTION 19.3.(c)** This section shall take effect immediately and apply to
29 sales made on or after that date.

30
31 **EXEMPT DISASTER ASSISTANCE DEBIT SALES**
32 **SECTION 19.4.(a)** G.S. 105-164.13 is amended by adding a new
33 subdivision to read:
34 "~~(58)~~ Tangible personal property purchased with a client assistance debit
35 card issued for disaster assistance relief by a State agency or a federal
36 agency or instrumentality."

37 **SECTION 19.4(b)** This act shall take effect on July 1, 2008 and apply to
38 sales made on or after that date.

39
40 **INCREASE CIGARETTE TAX TO RAISE TEACHER PAY TO THE**
41 **NATIONAL AVERAGE**

42 **SECTION 19.5.(a)** G.S. 105-113.5 is amended as follows:
43 Part 2. Cigarette Tax.
44 **§ 105-113.5. Tax on cigarettes.**

1 A tax is levied on the sale or possession for sale in this State, by a distributor, of all
2 cigarettes at the rate of ~~one and three-fourths cents (1.75¢)~~ two and three-fourths cents
3 (2.75 cents) per individual cigarette.

4 **SECTION 19.5.(b)** This section shall take effect on September 1, 2008.

5
6 **INCREASE ALCOHOL TAXES TO PROVIDE CRUCIAL MENTAL HEALTH**
7 **SERVICES**

8 **SECTION 19.6.(a)** G.S. 105-113.80 is amended to read as follows:

9 "Part 4. Excise Taxes, Distribution of Tax Revenue.

10 **"§ 105-113.80. Excise taxes on beer, wine, and liquor.**

11 (a) Beer. – An excise tax of ~~fifty-three and one hundred seventy-seven one~~
12 ~~thousandths cents (53.177¢)~~ ninety-five and seven hundred nineteen thousandths cents
13 (95.719 cents) per gallon is levied on the sale of malt beverages.

14 (b) Wine. – An excise tax of ~~twenty-one cents (21¢)~~ twenty-five cents (25 cents)
15 per liter is levied on the sale of unfortified wine, and an excise tax of ~~twenty-four cents~~
16 ~~(24¢)~~ twenty-eight cents (28 cents) per liter is levied on the sale of fortified wine.

17 (c) Liquor. – An excise tax of ~~twenty-five percent (25%)~~ twenty-nine percent
18 (29%) is levied on liquor sold in ABC stores. Pursuant to G.S. 18B-804(b), the price of
19 liquor on which this tax is computed is the distiller's price plus (i) the State ABC
20 warehouse freight and bailment charges, and (ii) a markup for local ABC boards."

21 **SECTION 19.6.(b)** This section shall take effect on September 1, 2008.

22
23 **EXTEND LOW-INCOME HOUSING TAX CREDIT**

24 **SECTION 19.7.** G.S. 105-129.45 reads as rewritten:

25 **"§ 105-129.45. Sunset.**

26 This Article is repealed effective January 1, ~~2010~~ 2014. The repeal applies to
27 developments to which federal credits are allocated on or after January 1, ~~2010~~ 2014."

28
29 **CLARIFY UNIVERSITY-RELATED PROJECTS ELIGIBILITY FOR SALES**
30 **TAX REFUNDS**

31 **SECTION 19.8.(a)** G.S. 105-164.14(b) is amended to add a new subsection
32 as follows:

33 "(5) Entities not operated for profit, including, but not limited to entities
34 exempt from taxation as disregarded entities of an organization not
35 operated for profit, that procure, design, construct, or otherwise
36 provide facilities to or for use by constituent institutions of the
37 University of North Carolina."

38 **SECTION 19.8.(b)** This act shall take effect immediately and shall have
39 been deemed to be in effect for all sales on or after January 1, 2004.

40
41 **PART XXIII. MISCELLANEOUS PROVISIONS**

42
43 **EXECUTIVE BUDGET ACT APPLIES**

1 **SECTION 20.1.** The provisions of the Executive Budget Act, Chapter 143,
2 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
3 and are incorporated in this act by reference.

4
5 **MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM**

6 **SECTION 20.2.** Except for statutory changes or other provisions that clearly
7 indicate an intention to have effects beyond the 2008-2009 fiscal year, the textual
8 provisions of this act apply only to funds appropriated for, and activities occurring
9 during, the 2008-2009 fiscal year.

10
11 **EFFECT OF HEADINGS**

12 **SECTION 20.3.** The headings to the parts and sections of this act are a
13 convenience to the reader and are for reference only. The headings do not expand,
14 limit, or define the text of this act, except for effective dates referring to a Part.

15
16 **SEVERABILITY CLAUSE**

17 **SECTION 20.4.** If any section or provision of this act is declared
18 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
19 whole or any part other than the part so declared to be unconstitutional or invalid.

20
21 **EFFECTIVE DATE**

22 **SECTION 20.5.** Except as otherwise provided, this act becomes effective
23 July 1, 2008.