

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007**

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**HOUSE BILL 2697**

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Short Title: The Governor's Budget 2008. (Public)

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Sponsors: Representatives Michaux, Tolson, Alexander, Yongue (Primary Sponsors); Coleman and Lucas.

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Referred to: Appropriations.

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May 28, 2008

1   A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL  
3 APPROPRIATIONS ACT OF 2007 AND TO MAKE OTHER CHANGES IN THE  
4 BUDGET OPERATIONS OF THE STATE.  
5

6 The General Assembly of North Carolina enacts:  
7

8 **PART I. INTRODUCTION AND TITLE OF ACT**  
9

10 **INTRODUCTION**

11           **SECTION 1.** The appropriations made in this act are for maximum amounts  
12 necessary to provide the services and accomplish the purposes described in the budget.  
13 Savings shall be effected where the total amounts appropriated are not required to  
14 perform these services and accomplish these purposes and, except as allowed by the  
15 Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the  
16 end of each fiscal year.  
17

18 **TITLE OF ACT**

19           **SECTION 1.2.** This act shall be known as "The Current Operations and  
20 Capital Improvements Appropriations Act of 2008."  
21

22 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

23           **SECTION 2.1.** Appropriations from the General Fund of the State for the  
24 maintenance of the State's departments, institutions, and agencies, and for other  
25 purposes as enumerated are made for the fiscal year ending June 30, 2009, according to  
26 the following schedule. Amounts set out in brackets are reductions from General Fund  
27 appropriations for the 2008-2009 fiscal year.  
28

| State Agency or Division                    | FY2008-2009 Adjustments |
|---|-------------------------|
| <b>Health and Human Services:</b>           |                         |
| Central Administration                      | \$(11,980,958)          |
| Aging                                       | 500,000                 |
| Child Development                           | (2,865,501)             |
| Smart Start                                 |                         |
| Education Services                          | 698,940                 |
| Public Health                               | 2,833,121               |
| Social Services                             | (3,415,302)             |
| Medical Assistance                          | (150,331,041)           |
| Child Health                                | 11,883,268              |
| Services for the Blind                      | 0                       |
| Mental Health/DD/SAS                        | 53,287,771              |
| Health Services Regulation                  | (414,464)               |
| Vocational Rehabilitation                   | <u>(2,000,000)</u>      |
| <b>Total Health &amp; Human Services</b>    | <b>(101,804,166)</b>    |
| <b>Natural and Economic Resources:</b>      |                         |
| Agriculture & Consumer Services             | 4,683,634               |
| Commerce                                    | 15,830,860              |
| Commerce – State Aid to Non-State Entities  | 42,000,000              |
| Environment and Natural Resources           | 9,733,208               |
| Clean Water Management Trust Fund           | 0                       |
| Labor                                       | <u>719,493</u>          |
| <b>Total Natural and Economic Resources</b> | <b>34,242,695</b>       |
| <b>Justice and Public Safety:</b>           |                         |
| Correction                                  | 986,696                 |
| Crime Control & Public Safety               | 1,392,097               |
| Judicial                                    | (2,421,818)             |
| Judicial – Indigent Defense                 | 2,800,000               |
| Justice                                     | 64,483                  |
| Juvenile Justice                            | <u>23,197,447</u>       |
| <b>Total Justice and Public Safety</b>      | <b>75,503,165</b>       |
| <b>General Government:</b>                  |                         |
| Administration                              | 1,738,062               |
| State Auditor                               | (233,938)               |
| Cultural Resources                          | 1,667,867               |
| Cultural Resources – Roanoke Island         | 0                       |
| General Assembly                            | (636,000)               |
| Governor's Office                           | (16,916)                |
| Insurance                                   | 239,040                 |

|    |  |                             |
|----|--|-----------------------------|
| 1  | Insurance – Worker's Compensation Fund     | 0                           |
| 2  | Lieutenant Governor                        | 0                           |
| 3  | Office of Administrative Hearings          | 313,544                     |
| 4  | Revenue                                    | 14,232,025                  |
| 5  | NC Housing Finance                         | 2,500,000                   |
| 6  | Secretary of State                         | 159,950                     |
| 7  | State Board of Elections                   | 237,828                     |
| 8  | State Budget and Management (OSBM)         | 48,697                      |
| 9  | OSBM – Special Appropriations              | 1,300,000                   |
| 10 | Office of State Controller                 | (103,638)                   |
| 11 | State Treasurer                            | 0                           |
| 12 | State Treasurer – Retirement/Benefits      | 0                           |
| 13 | <b>Total General Government</b>            | <b>21,446,521</b>           |
| 14 |  |                             |
| 15 | <b>Education:</b>                          |                             |
| 16 | Public Schools                             | 100,185,195                 |
| 17 | Community Colleges                         | 24,660,195                  |
| 18 | University System                          | <u>31,258,677</u>           |
| 19 | <b>Total Education</b>                     | <b>156,104,067</b>          |
| 20 |  |                             |
| 21 | <b>Debt Service:</b>                       |                             |
| 22 | General Debt Service                       | (17,500,000)                |
| 23 | Federal Reimbursement                      | 0                           |
| 24 | <b>Total Debt Service</b>                  | <b>(17,500,000)</b>         |
| 25 |  |                             |
| 26 | <b>Reserves &amp; Adjustments:</b>         |                             |
| 27 | Compensation Increase Reserve              | 594,200,000                 |
| 28 | State Health Plan Reserve                  | (5,000,000)                 |
| 29 | Pesticide Prevention Reserve               | 714,110                     |
| 30 | Drought and Energy Efficiency Reserve      | 3,500,000                   |
| 31 | Job Development Investment Grant Reserve   | 17,700,000                  |
| 32 | IT Hold Harmless Reserve                   | 1,500,000                   |
| 33 | Geographic Information System Reserve      | 6,500,000                   |
| 34 | Census 2010 Outreach and Promotion         | 1,500,000                   |
| 35 | Multipurpose Database Reserve              | <u>1,000,000</u>            |
| 36 |  |                             |
| 37 | <b>Total Reserves &amp; Adjustments</b>    | <b>621,614,110</b>          |
| 38 |  |                             |
| 39 | <b>Capital:</b>                            |                             |
| 40 | Capital Improvements                       | 96,998,826                  |
| 41 |  |                             |
| 42 | <b>Total General Fund Budget Changes</b>   | <b><u>\$740,846,832</u></b> |
| 43 |  |                             |
| 44 | <b>GENERAL FUND AVAILABILITY STATEMENT</b> |                             |

1           **SECTION 2.2.(a)** The General Fund availability used in adjusting the  
2 2008-2009 budget is shown below:

| <u>Description</u>                               | FY 2008-2009<br>Recommended<br><u>(In Millions)</u> |
|--|---|
| Beginning Availability:                          |   |
| Unappropriated Balance FY 2007-2008              | 269.2   |
| Adjusted from Estimated to Actual FY 2007-2008   |   |
| Beginning Unreserved Balance                     | 47.9  |
| Overcollections FY 2007-2008                     | 151.5   |
| Reversions FY 2007-2008                          | 150.0   |
| Credit to Savings Reserve Account                | (61.5)  |
| Credit to Repair and Renovations Reserve Account | <u>(65.0)</u>                                       |
| Beginning Unreserved Credit Balance              | 492.1   |
| <b>Revenue:</b>                                  |   |
| Tax:   |   |
| Individual Income                                | 11,394.7  |
| Corporate Income                                 | 1,202.2   |
| Sales and Use                                    | 5,410.7   |
| Other Tax  | 2,054.7   |
| <b>Total Tax</b>                                 | <b>20,062.3</b>                                     |
| Nontax/Transfers                                 | 977.7   |
| <b>Total Revenue</b>                             | <b>21,040.0</b>                                     |
| <b>Total Availability</b>                        | <b>21,532.1</b>                                     |

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

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

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

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

42           **SECTION 2.2 (f)** Notwithstanding G.S. 143-719, of the funds credited to the  
43 Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2)  
44 of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars

1 (\$10,000,000) for the 2008-2009 fiscal year shall be transferred from the Department of  
 2 Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the  
 3 State Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to  
 4 support General Fund appropriations for the Farmland Preservation Trust Fund and  
 5 agriculture capital items in the 2008-2009 fiscal year.

6 **SECTION 2.2.(g)** Notwithstanding G.S. 147-86.30, of the funds credited to  
 7 the Health Trust Account from the Master Settlement Agreement pursuant to Section  
 8 6(2) of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of ten million dollars  
 9 (\$5,000,000) for the 2008-2009 fiscal year shall be transferred from the Department of  
 10 State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State  
 11 Controller to be deposited in Nontax Budget Code 19978 (Intrastate Transfers) to  
 12 support General Fund appropriations for North Carolina Health Net and local obesity  
 13 and health promotion programs in the 2008-2009 fiscal year.

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

19  
 20 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

21  
 22 **CURRENT OPERATIONS/HIGHWAY FUND**

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

| <u>Current Operations – Highway Fund</u>          | <u>2008-2009</u><br><u>Adjustments</u> |
|---|--|
| DOT – General Administration                      | \$ (9,583,308)                         |
| Highway Division Administration                   | 0                                      |
| State Match for Federal Aid-Planning and Research | 0                                      |
| Construction Program:                             |  |
| State Secondary System                            | 1,807,592                              |
| State Urban System                                | 0                                      |
| Discretionary Funds                               | 0                                      |
| Spot Safety Improvements                          | 0                                      |
| Small Urban Construction                          | 0                                      |
| Access and Public Services Roads                  | 0                                      |
| <b>Total Construction Program</b>                 | <u><b>1,807,592</b></u>                |

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

**HIGHWAY FUND AVAILABILITY STATEMENT**

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

|   |  |                        |
|---|--|------------------------|
| 1 |  |                        |
| 2 | Beginning Credit Balance               | \$ 35,000,000          |
| 3 | Estimated Revenue                      | 1,822,550,000          |
| 4 | <b>TOTAL HIGHWAY FUND AVAILABILITY</b> | <b>\$1,857,550,000</b> |

5  
6 **PART IV. HIGHWAY TRUST FUND APPROPRIATIONS**

7  
8 **HIGHWAY TRUST FUND APPROPRIATIONS**

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

| 13 |  |                        |
|----|--|------------------------|
| 14 | <b>Current Operations – Highway Trust Fund</b> | <b>2008-2009</b>       |
| 15 |  | <b>Adjustments</b>     |
| 16 |  |                        |
| 17 | Department of Transportation:                  |                        |
| 18 | Maximum Allowance for Administration           | \$ 3,627,360           |
| 19 |  |                        |
| 20 | Construction Allocation:                       |                        |
| 21 | Intrastate System                              | (40,691,948)           |
| 22 | Urban Loop System                              | (16,454,129)           |
| 23 | Secondary Roads                                | ( 7,687,956)           |
| 24 | Other Authorized Purposes                      | 25,000,000             |
| 25 |  |                        |
| 26 | State Aid to Municipalities                    | ( 4,269,534)           |
| 27 |  |                        |
| 28 | Transfer to the General Fund (1)               | (25,143,793)           |
| 29 |  |                        |
| 30 | Total Highway Trust Fund Appropriation         | <u>\$ (65,620,000)</u> |

31  
32 **PART V. BLOCK GRANTS**

33  
34 **NER BLOCK GRANTS**

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

37  
38 **COMMUNITY DEVELOPMENT BLOCK GRANT**

|    |                                  |              |
|----|----------------------------------|--------------|
| 39 |                                  |              |
| 40 | 01. State Administration         | \$ 1,000,000 |
| 41 |                                  |              |
| 42 | 02. Urgent Needs and Contingency | 1,000,000    |
| 43 |                                  |              |
| 44 | 03. Scattered Site Housing       | 13,200,000   |

|    |                                     |               |
|----|-------------------------------------|---------------|
| 1  |                                     |               |
| 2  | 04. Economic Development            | 8,710,000     |
| 3  |                                     |               |
| 4  | 05. Small Business/Entrepreneurship | 1,000,000     |
| 5  |                                     |               |
| 6  | 06. Community Revitalization        | 13,000,000    |
| 7  |                                     |               |
| 8  | 07. State Technical Assistance      | 450,000       |
| 9  |                                     |               |
| 10 | 08. Housing Development             | 1,500,000     |
| 11 |                                     |               |
| 12 | 09. Infrastructure                  | 5,140,000     |
| 13 |                                     |               |
| 14 | TOTAL COMMUNITY DEVELOPMENT         |               |
| 15 | BLOCK GRANT – 2009 Program Year     | \$ 45,000,000 |
| 16 |                                     |               |

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

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

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

42           **SECTION 11.5.(e)** Increase Capacity for Nonprofit Organizations. –  
43 Assistance to nonprofit organizations to increase their capacity to carry out  
44 CDBG-eligible activities in partnership with units of local government is an eligible



1 activity under any program category in accordance with federal regulations. Capacity  
2 building grants may be made from funds available within program categories, program  
3 income, or unobligated funds.

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

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

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

## 31 PART VI. GENERAL PROVISIONS

### 32 33 CHANGES TO STATE BUDGET ACT

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

#### 36 "§ 143C-6-4. Budget adjustments authorized.

37 (a) Findings. – The General Assembly recognizes that even the most thorough  
38 budget deliberations may be affected by unforeseeable events. Under limited  
39 circumstances set forth in this section, the Director may adjust the enacted budget by  
40 making transfers among lines of expenditure, purposes, or programs or by increasing  
41 expenditures funded by departmental receipts. Under no circumstances, however, shall  
42 total General Fund expenditures for a State department exceed the amount appropriated  
43 to that department from the General Fund for the fiscal year.

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

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

7 (2) A purpose or program if the overexpenditure of the purpose or  
8 program is:

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

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

12 c. Required to call out the national guard.

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

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

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

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

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

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

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

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

9 "**§ 143C-4-3. Repairs and Renovations Reserve Account.**

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

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

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

40 Funds from the Repairs and Renovations Reserve Account shall not be used for new  
41 construction or the expansion of the building area (sq. ft.) of an existing facility unless  
42 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.

| <b>Recipient State Agency</b>                   | <b>Grant Amount</b> |
|---|---------------------|
| Department of Environment and Natural Resources |                     |
| Clear Skies                                     | \$ 300,000          |
| Keep Our Waters Clean                           | 200,000             |
| Department of Health and Human Services         |                     |
| 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 | <b>Department of Health and Human Services</b>                       |            |
| 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.

43

**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 | <del>FY 2007-2008</del> | FY 2008-2009  |
|--------------------------------|--------------|-------------------------|---------------|
| Department of Revenue          | \$63,000,000 | <del>\$63,000,000</del> | \$84,000,000  |
| Department of Transportation   | \$15,000,000 | <del>\$15,000,000</del> | \$21,000,000  |
| Employment Security Commission | \$ 3,000,000 | <del>\$3,000,000</del>  | \$4,000,000   |
| Department of Insurance        | \$ 1,000,000 | <del>\$1,000,000</del>  | \$500,000     |
| University of North Carolina   | \$ 3,500,000 | <del>\$3,500,000</del>  | \$3,000,000   |
| Other Agencies                 | \$10,000,000 |                         | \$10,000,000  |
| Total Funds Available          | \$95,500,000 | <del>\$95,500,000</del> | \$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 | <del>FY 2007-2008</del> | FY 2008-2009   |
|--------------------------|--------------|-------------------------|----------------|
| School Technology Fund   | \$18,000,000 |                         | \$18,000,000   |
| State Public School Fund | \$77,500,000 | <del>\$77,500,000</del> | \$104,500,000  |
| Total Appropriation      | \$95,500,000 | <del>\$95,500,000</del> | \$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

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

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

**SECTION 7.1.(e)** The first step of the salary schedule for school  
 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 | 42 Assistant<br>Principal | 43 Prin I<br>(0-10) | 44 Prin II<br>(11-21) | Prin III<br>(22-32) | Prin IV<br>(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<br>(44-54) | Prin VI<br>(55-65) | Prin VII<br>(66-100) | Prin VIII<br>(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 21<sup>st</sup> 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 21<sup>st</sup> 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 21<sup>st</sup> 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.a1.~~ 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 **CHANGES TO CHILD CARE FUNDS MATCHING REQUIREMENT**

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

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

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:

| <b>Over</b> | <b>Up To</b> | <b>Project Fee</b> |
|-------------|--------------|--------------------|
|-------------|--------------|--------------------|

|   |               |               |   |
|---|---------------|---------------|---|
| 1 | 0             | 5,000         | <del>\$750.00 plus \$0.25 per square foot</del> |
| 2 | 5,000         | 10,000        | <del>\$1,500 plus \$0.40 per square foot</del>  |
| 3 | 10,000        | 20,000        | <del>\$2,000 plus \$0.50 per square foot</del>  |
| 4 | 20,000        | NA            | <del>\$3,000 plus \$0.75 per square foot</del>  |
| 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 | <b>Over</b>  | <b>Up To</b> | <b>Project Fee</b>                              |
|----|--------------|--------------|---|
| 12 | 0            | 2,000        | <del>\$250.00 plus \$0.15 per square foot</del> |
| 13 | 2,000        | NA           | <del>\$250.00 plus \$0.16 per square foot</del> |
| 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 | <b>Over</b>  | <b>Up To</b> | <b>Project Fee</b>                              |
|----|--------------|--------------|---|
| 19 | 0            | 2,000        | <del>\$200.00 plus \$0.15 per square foot</del> |
| 20 | 2,000        | NA           | <del>\$250.00 plus \$0.20 per square foot</del> |
| 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 | <b>Over</b>   | <b>Up To</b>  | <b>Project Fee</b>                              |
|----|---------------|---------------|---|
| 26 | 0             | 5,000         | <del>\$200.00 plus \$0.16 per square foot</del> |
| 27 | 5,000         | 10,000        | <del>\$200.00 plus \$0.25 per square foot</del> |
| 28 | 10,000        | 20,000        | <del>\$300.00 plus \$0.45 per square foot</del> |
| 29 | 20,000        | NA            | <del>\$400.00 plus \$0.45 per square foot</del> |
| 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 | <b>Over</b>  | <b>Up To</b> | <b>Project Fee</b>                              |
|----|--------------|--------------|---|
| 37 | 0            | 2,000        | <del>\$175.00 plus \$0.10 per square foot</del> |
| 38 | 2,000        | NA           | <del>\$175.00 plus \$0.20 per square foot</del> |
| 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 | <b>Residential Project</b> | <b>Project Fee</b> |
|----|----------------------------|--------------------|
| 44 | Family Care Homes          | \$200.00 flat fee  |

|    |                                  |   |
|----|----------------------------------|---|
| 1  | <del>ICFR Group Homes</del>      | <del>\$300.00 flat fee</del>                    |
| 2  | <del>Group Homes: 1-3 beds</del> | <del>\$100.00 flat fee</del>                    |
| 3  | <del>Group Homes: 4-6 beds</del> | <del>\$200.00 flat fee</del>                    |
| 4  | <del>Group Homes: 7-9 beds</del> | <del>\$250.00 flat fee</del>                    |
| 5  | <del>Other residential:</del>    |   |
| 6  | <del>More than 9 beds</del>      | <del>\$250.00 plus \$0.75 per square foot</del> |
| 7  |                                  | <del>of project space.</del>                    |
| 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<br>(% 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<br>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 | <b>TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES</b>       |                      |
| 21 | <b>(TANF) BLOCK GRANT</b>                                 | <b>\$378,018,805</b> |
| 22 |   |                      |
| 23 | <b>SOCIAL SERVICES BLOCK GRANT</b>                        |                      |
| 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 |     | <b>TOTAL LOW-INCOME ENERGY BLOCK GRANT</b>         | <b>\$ 46,882,504</b> |
| 21 |     |  |                      |
| 22 |     | <b>CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT</b> |                      |
| 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 | <b>TOTAL SUBSTANCE ABUSE PREVENTION</b>         |                      |
| 18 | <b>AND TREATMENT BLOCK GRANT</b>                | <b>\$ 48,702,674</b> |
| 19 |   |                      |
| 20 | <b>MATERNAL AND CHILD HEALTH BLOCK GRANT</b>    |                      |
| 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 |                                      |              |
| 2 | 03. Office of Economic Opportunity   | 892,369      |
| 3 |                                      |              |
| 4 | TOTAL COMMUNITY SERVICES BLOCK GRANT | \$17,847,392 |
| 5 |                                      |              |

**GENERAL PROVISIONS**

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

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

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

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

41           Prior to allocating the change in federal fund availability, the proposed  
42 allocation must be approved by the Office of State Budget and Management. If the  
43 Department adjusts the allocation of any Block Grant due to changes in federal fund  
44 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 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."

## 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 |

9  
10 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

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

| 13 | <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              |
| 29 |  |                      |

30  
31 **JUDICIAL BRANCH OFFICIALS/SALARY INCREASE**

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

| 34 | <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              |
| 44 |   |                      |



|   |  |         |
|---|--|---------|
| 1 | Administrative Officer of the Courts           | 125,196 |
| 2 | Assistant Administrative Officer of the Courts | 114,355 |
| 3 | Public Defender                                | 117,854 |

4  
5       **SECTION 17.4.(b)** The district attorney or public defender of a judicial  
6 district, with the approval of the Administrative Officer of the Courts or the  
7 Commission on Indigent Defense Services, respectively, shall set the salaries of  
8 assistant district attorneys or assistant public defenders, respectively, in that district such  
9 that the average salaries of assistant district attorneys or assistant public defenders in  
10 that district do not exceed seventy thousand eighty-three dollars (\$70,083), and the  
11 minimum salary of any assistant district attorney or assistant public defender is at least  
12 thirty-six thousand six hundred twenty-three dollars (\$36,623) effective July 1, 2008.

13  
14 **CLERK OF SUPERIOR COURT SALARY INCREASES**

15       **SECTION 17.5.** Effective July 1, 2008 G.S. 7A-101(a) reads as rewritten:

16 "**§ 7A-101. Compensation.**

17       (a) The clerk of superior court is a full-time employee of the State and shall  
18 receive an annual salary, payable in equal monthly installments, based on the population  
19 of the county as determined in subsection (a1) of this section, according to the following  
20 schedule:

| <u>Population</u>           | <u>Annual Salary</u>                |
|-----------------------------|-------------------------------------|
| 21       Less than 100,000  | \$ <del>80,196</del> <u>81,399</u>  |
| 22       100,000 to 149,999 | <del>89,993</del> <u>91,343</u>     |
| 23       150,000 to 249,999 | <del>99,792</del> <u>101,289</u>    |
| 24       250,000 and above  | <del>109,593</del> <u>111,237</u> . |

25  
26  
27       When a county changes from one population group to another, the salary of the clerk  
28 shall be changed, on July 1 of the fiscal year for which the change is reported, to the  
29 salary appropriate for the new population group, except that the salary of an incumbent  
30 clerk shall not be decreased by any change in population group during his continuance  
31 in office."

32  
33 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY**  
34 **INCREASES/ELIMINATE DEPUTY CLERK HIRING RATE**

35       **SECTION 17.6.** Effective July 1, 2008, G.S. 7A-102(c1) reads as rewritten:

36       "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time  
37 deputy clerk serving as head bookkeeper per county, shall be paid an annual salary  
38 subject to the following minimum and maximum rates:

| Assistant Clerks and     | Annual Salary                        |
|--------------------------|--------------------------------------|
| 39       Head Bookkeeper |                                      |
| 40       Minimum         | \$ <del>31,122</del> <u>\$31,589</u> |
| 41       Maximum         | <del>53,301</del> <u>54,101</u>      |

| Deputy Clerks | Annual Salary |
|---------------|---------------|
|---------------|---------------|

|   |         |                        |
|---|---------|------------------------|
| 1 | Minimum | \$26,788\$27,190       |
| 2 | Maximum | 41,456. <u>42,078.</u> |

**MAGISTRATES' SALARY INCREASES**

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

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

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

Table of Salaries of Full-Time Magistrates

| Step Level | Annual Salary                 |
|------------|-------------------------------|
| Entry Rate | \$ <del>31,533</del> \$32,006 |
| Step 1     | <del>34,425</del> 34,941      |
| Step 2     | <del>37,571</del> 38,135      |
| Step 3     | <del>41,006</del> 41,621      |
| Step 4     | <del>44,768</del> 45,440      |
| Step 5     | <del>49,007</del> 49,742      |
| Step 6     | <del>53,760.</del> 54,566.    |

- (2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, a magistrate who is licensed to practice law in North Carolina or any other state shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4."

**SECTION 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 | <del>26,595</del>  | <u>26,994</u>   |
| 3 or more but less than 5 years of service | <del>28,944.</del> | <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<br>on June 30, 1994            | Salary Level<br>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.

**SPECIAL ANNUAL LEAVE BONUS**

**SECTION 17.15A.(a)** Except as provided by subsection (b) of this section, any person (i) who is a full-time permanent employee of the State, a community college institution, or a local board of education on July 1, 2008, and (ii) who is eligible to earn annual leave shall have a one-time additional five days of annual leave credited on that date. The additional leave shall be accounted for separately and shall remain available until used, notwithstanding any other limitation on the total number of days of annual leave that may be carried forward. Part-time permanent employees shall receive a pro rata amount of the five days.

**SECTION 17.15A.(b)** The following persons are not eligible to receive the special annual leave bonus authorized by this section:

- (1) Any employee or officer who does not earn annual leave.
- (2) Employees who receive during the 2008-2009 fiscal year an automatic or step increase under G.S. 7A-102(c), 7A-171.1, or 20-187.3.
- (3) Any public school employee or State employee paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule.

**ALL STATE-SUPPORTED PERSONNEL**

**SECTION 17.16.(a)** Salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund shall be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund.

**SECTION 17.16.(b)** The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

**SECTION 17.16.(c)** The salary increases provided in this act are to be effective July 1, 2008, do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement, or whose last workday is prior to July 1, 2008.

Payroll checks issued to employees after July 1, 2008, which represent payment of services provided prior to July 1, 2008, shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

**SECTION 17.16.(d)** The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2008-2009 all funds necessary for the salary increases provided by this act, including funds for the employer's retirement and social security contributions.

**SECTION 17.16.(e)** Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

**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:

| Capital Improvements – General Fund           | 2008-2009   |
|---|-------------|
| Department of Cultural Resources              |             |
| Museum of History Chronology Exhibit Phase I  | \$2,600,000 |
| Museum of Art Expansion (supplement)          | 5,126,700   |
| Mattamuskeet Lodge Renovations                | 15,022,790  |
| Department of Administration                  |             |
| North Carolina Freedom Monument – Phase I     | \$1,000,000 |
| Department of Agriculture                     |             |
| Study Veterinary Diagnostic Laboratory System | 620,000     |
| 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 | <b>TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND</b>             | <b>\$96,998,826</b> |

**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 | <b>Name of Project</b>          | <b>2008-2009</b> |
|----|---------------------------------|------------------|
| 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 |      | <b>TOTALS</b>                                | <b>\$25,736,000</b> |
| 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:

|    | <b>Amount</b>     | <b>Project</b>  |
|----|-------------------|---|
| 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 |      | <b>\$553,204,000</b> | 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 fifty-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:

36

| 37 | Taxable Year                   | Percentage |
|----|--------------------------------|------------|
| 38 | 2002                           | 100%       |
| 39 | 2003                           | 70%        |
| 40 | 2004                           | 70%        |
| 41 | 2005 <del>and thereafter</del> | 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  
44 **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.