

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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SENATE BILL 765*

Short Title: The Governor's Budget 2007. (Public)

Sponsors: Senators Garrou, Dalton and Hagan.

Referred to: Appropriations/Base Budget.

March 15, 2007

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

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

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

TITLE OF ACT

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

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

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

State Agency or Division	FY 2007-08 Recommended Appropriation	FY 2008-09 Recommended Appropriation
HEALTH AND HUMAN SERVICES		
Central Administration	\$71,872,058	\$67,419,374
Aging	34,907,589	34,909,179
Child Development	305,916,143	305,939,926
Education Services	39,373,863	39,928,830

1	Public Health	186,706,619	179,716,681
2	Social Services	216,303,887	222,788,887
3	Medical Assistance	2,882,941,451	3,167,283,638
4	Child Health	59,391,155	59,391,155
5	Services for the Blind	12,413,913	12,536,515
6	Mental Health/DD/SAS	716,811,415	718,940,878
7	Facility Services	19,453,150	20,795,503
8	Vocational Rehabilitation	45,976,163	46,383,551
9	Total Health & Human Services	4,592,067,406	4,876,034,117
10			
11		FY 2007-08	FY 2008-09
12	State Agency or Division	Recommended	Recommended
13		Appropriation	Appropriation
14			
15	NATURAL AND ECONOMIC RESOURCES		
16	Agriculture & Consumer Services	67,134,939	61,314,179
17	Commerce	62,658,713	42,109,110
18	Commerce – State Aid to Non-State Entities	52,654,087	52,654,087
19	Environment and Natural Resources	200,131,656	201,707,134
20	Clean Water Management Trust Fund	100,000,000	100,000,000
21	Labor	16,594,758	16,594,951
22	Total Natural and Economic Resources	499,174,153	474,379,461
23			
24	JUSTICE AND PUBLIC SAFETY		
25	Correction	1,217,393,823	1,237,821,977
26	Crime Control & Public Safety	47,526,155	43,054,413
27	Judicial	420,098,593	423,824,541
28	Judicial – Indigent Defense	104,747,454	108,569,559
29	Justice	96,375,618	92,533,849
30	Juvenile Justice	161,610,825	165,811,556
31	Total Justice and Public Safety	2,047,752,468	2,071,615,895
32			
33	GENERAL GOVERNMENT		
34	Administration	68,508,544	69,010,048
35	State Auditor	12,903,026	12,916,479
36	Cultural Resources	70,463,491	71,352,733
37	Cultural Resources – Roanoke Island	2,020,023	2,020,023
38	General Assembly	55,729,083	56,931,204
39	Governor's Office	6,462,319	6,500,587
40	Insurance	32,003,945	31,958,716
41	Insurance – Worker's Compensation Fund	4,500,000	4,500,000
42	Lieutenant Governor	938,104	939,091
43	Office of Administrative Hearings	3,738,155	3,568,432
44	Revenue	87,619,246	87,711,626
45	NC Housing Finance	11,250,945	4,750,945
46	Secretary of State	10,704,933	10,776,784
47	State Board of Elections	9,528,421	6,798,147
48	State Budget and Management (OSBM)	5,930,060	5,936,765
49	OSBM – Special Appropriations	6,438,446	6,438,446
50	Office of State Controller	20,817,526	20,835,033
51	State Treasurer	9,441,130	9,438,190
52	State Treasurer – Retirement/Benefits	9,165,457	9,165,457
53	Total General Government	428,162,854	421,548,706
54			
55		FY 2007-08	FY 2008-09

	State Agency or Division	Recommended Appropriation	Recommended Appropriation
1			
2			
3			
4	EDUCATION		
5			
6	Public Schools	7,603,203,498	7,663,846,464
7	Community Colleges	915,790,652	912,122,495
8	University System	2,304,460,041	2,357,978,162
9	UNC – Hospital	45,673,970	45,673,970
10	UNC – GA Passthrough	284,576,699	336,283,215
11	Total Education	11,153,704,861	11,315,904,307
12			
13	Total Budget	18,720,861,742	19,159,482,486
14			
15	DEBT SERVICE		
16	General Debt Service	619,793,004	655,299,484
17	Federal Reimbursement	1,616,380	1,616,380
18	Total Debt Service	621,409,384	656,915,864
19			
20	RESERVES & ADJUSTMENTS		
21	Contingency and Emergency Reserve	5,000,000	5,000,000
22	Compensation Increase Reserve	394,520,636	386,490,786
23	Salary Adjustment Reserve	28,188,000	28,188,000
24	Retirement System COLA	27,200,000	27,200,000
25	Retirement System – Payback	45,000,000	0
26	ITS Enterprise Fee Hold Harmless	1,500,000	1,500,000
27	Health Plan Reserve	111,247,930	146,563,167
28	Job Development Investment Grants	12,400,000	12,400,000
29	Reserve for Internal Control		
30	Task Force Recommendations	1,000,000	1,000,000
31	Reserve for ITAS Replacement	10,000,000	10,000,000
32	Beacon Project Reserve	20,000,000	
33	IT Initiative	4,140,000	2,840,000
34	Total Reserves & Adjustments	660,196,566	621,181,953
35			
36	CAPITAL		
37	Capital Improvements	63,883,409	0
38	Total Capital	63,883,409	0
39			
40	TOTAL GENERAL FUND BUDGET	\$20,066,351,100	20,437,580,303

GENERAL FUND AVAILABILITY STATEMENT

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

Description	FY 2007-08 Recommended (In Millions)	FY 2008-09 Recommended (In Millions)
Beginning Availability:		
Unappropriated Balance from Prior Fiscal Year	0	118,823,900
Credit Balance FY 2004-05 (Reversions & Over-collections)	950,100,000	0
Credit to Savings Reserve Account	(237,525,000)	0
Credit to Repairs and Renovations Reserve Account	(100,000,000)	0

1	Beginning Unreserved Credit Balance	612,575,000	0
2			
3	REVENUES		
4	Tax:		
5	Individual Income Tax	10,568,000,000	11,188,200,000
6	Corporate Income Tax	4,877,000,000	5,093,300,000
7	Sales and Use	1,194,000,000	1,251,900,000
8	Other Tax	1,853,600,000	1,937,000,000
9	Total Tax	18,492,600,000	19,470,400,000
10	Nontax/Transfers	869,000,000	889,000,000
11	Total Revenue	19,361,600,000	20,359,400,000
12			
13	Tax Reductions		
14	Income Tax Reduction	(28,000,000)	(63,000,000)
15	Adoption Tax Credit	(3,000,000)	(3,000,000)
16	Increased Expensing for Small Businesses	(35,800,000)	(27,900,000)
17	Deductions for Higher Education Tuition	(13,900,000)	(14,400,000)
18	Deductions for Qualified Expenses for K-12 Teachers	(2,300,000)	(1,300,000)
19	Health Insurance Premiums for Retired Officers	(2,000,000)	(2,200,000)
20	Miscellaneous IRC Conformities	(4,700,000)	(3,000,000)
21	Subtotal Tax Reductions	(89,700,000)	(115,100,000)
22			
23	Other Tax Changes		
24	Continue 4.25% State Sales Tax Rate	259,900,000	286,300,000
25	Continue 8.0% Income Tax Rate	40,800,000	93,700,000
26	Subtotal Other Tax Changes	300,700,000	380,000,000
27			
28	Total Availability	20,185,175,000	20,743,123,899
29			
30	Less: Total General Fund Appropriations	(20,066,351,101)	(20,437,580,303)
31			
32	Unappropriated Balance Remaining	\$118,823,900	\$305,543,597
33			

34 **SECTION 2.2.(b)** Notwithstanding G.S. 143C-9-3, of the funds credited to
35 the Tobacco Trust Fund from the Master Settlement Agreement pursuant to Section 6(2)
36 of S.L. 1999-2 during the 2007-2009 fiscal biennium, the sum of twenty-six million
37 dollars (\$26,000,000) for the 2007-2008 fiscal year and the sum of sixteen million
38 dollars (\$16,000,000) for the 2008-2009 fiscal year shall be transferred from the
39 Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust
40 Fund) to the State Controller to be deposited in Non-tax Budget Code 19978 (Intra State
41 Transfers) to support General Fund appropriations for the 2007-2008 and 2008-2009
42 fiscal years.

43 **SECTION 2.2.(c)** Notwithstanding the allocations outlined in G.S. 143-15.2
44 and G.S. 143-15.3A, the State Controller shall transfer one hundred million dollars
45 (\$100,000,000) from the unreserved credit balance to the Repairs and Renovations
46 Reserve Account on June 30, 2007. This section becomes effective June 30, 2007.

48 PART III. CURRENT OPERATIONS/HIGHWAY FUND

50 CURRENT OPERATIONS/HIGHWAY FUND

51 **SECTION 3.1.** Appropriations from the Highway Fund of the State for the
52 maintenance and operation of the Department of Transportation, and for other purposes
53 as enumerated, are made for the biennium ending June 30, 2009, according to the
54 following schedule:
55

	2007-08	2008-09
	Recommended	Recommended
1 Current Operations – Highway Fund		
2		
3		
4 DOT – General Administration	\$ 95,787,091	\$ 93,204,187
5 Highway Division Administration	32,651,442	32,703,136
6 State Match for Federal Aid-Planning and		
7 Research	4,700,000	4,700,000
8		
9 Construction Program:		
10 State Secondary System	93,046,035	95,073,949
11 Division Small Urban Construction	21,000,000	21,000,000
12 Discretionary Funds	15,000,000	15,000,000
13 Spot Safety Improvements	9,100,000	9,100,000
14 Access and Public Services Roads	2,000,000	2,000,000
15 Total Construction Program	140,146,035	140,173,949
16		
17 Maintenance Program		
18 Primary System	155,323,184	155,323,184
19 Secondary System	243,316,065	243,316,065
20 System Preservation	100,289,071	88,403,935
21 Contract Resurfacing	284,525,663	284,525,663
22 General Maintenance Reserve	151,912,491	148,820,724
23 Total Maintenance Program	935,366,474	920,389,571
24		
25 Ferry Operations	29,513,921	29,513,921
26 State Aid to Municipalities	93,046,035	93,073,949
27 State Aid to Railroads	25,125,153	25,125,153
28 State Aid for Public Transportation	73,466,447	73,466,447
29 Asphalt Plant Cleanup	425,000	425,000
30 Governor's Highway Safety Program	334,314	335,449
31 Division of Motor Vehicles	101,700,725	119,510,944
32		
33 Total Department of Transportation	\$1,554,122,759	\$ 1,555,751,739
34		
35 Appropriations to Other State Agencies:		
36 Agriculture	4,742,033	4,709,039
37 Revenue	5,778,561	5,786,604
38 Public Instruction – Driver Education	33,285,956	33,255,278
39 CCPS – Highway Patrol	205,685,608	203,516,779
40 DENR – LUST Trust Fund	4,952,900	4,988,378
41 DHHS – Chemical Test	622,183	622,183
42 Total – Other State Agencies	255,067,241	252,878,261
43		
44 Reserves and Transfers:		
45 Salary Adjustment	1,650,000	1,650,000
46 Minority Contractor Development	150,000	150,000
47 State Fire Protection Grant	150,000	150,000
48 Stormwater Discharge Permit	500,000	500,000
49 Reserve for Visitor's Centers	400,000	400,000
50 Global TransPark	1,600,000	1,600,000
51 Reserve for Legislative Increase	12,700,000	12,700,000
52 Reserve for Health Insurance Adjustment	5,200,000	6,900,000
53 Employer's Contribution-Retiree	1,400,000	1,400,000
54 Reserve for Administrative Reduction	(2,500,000)	(2,500,000)
55 Total Reserves and Transfers	21,250,000	22,950,000

1
2 **Total Highway Fund Appropriation** **\$1,830,440,000** **\$1,831,580,000**

3
4 **HIGHWAY FUND AVAILABILITY STATEMENT**

5 **SECTION 3.2.** The Highway Fund availability used in developing the
6 2007-2009 biennial budget is shown below:

7
8 **Highway Fund Availability Statement**

	2007-08	2008-09
	Recommended	Recommended
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15 **Total Highway Fund Availability** **\$ 1,830,440,000** **\$ 1,831,580,000**

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

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19 **HIGHWAY TRUST FUND APPROPRIATIONS**

20 **SECTION 4.1.** Appropriations from the Highway Trust Fund are made for
21 the biennium ending June 30, 2009, according to the following schedule:

22
23 **Highway Trust Fund**

	2007-08	2008-09
	Recommended	Recommended
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38 **TOTAL HIGHWAY TRUST FUND APPROPRIATIONS** **\$ 1,125,580,000** **\$**
39 **1,143,060,000**

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41 **PART V. BLOCK GRANT PROVISIONS**

42
43 **DHHS BLOCK GRANTS**

44 **SECTION 5.1.(a)** Appropriations from federal block grant funds are made
45 for the fiscal year ending June 30, 2008, according to the following schedule:

46
47 **TEMPORARY ASSISTANCE TO NEEDY FAMILIES BLOCK GRANT**

48 Local Program Expenditures

49	Division of Social Services	
50	1. Work First Family Assistance (Cash Assistance)	\$95,807,234
51	2. Work First County Block Grants	94,653,315
52	3. Child Protective Services – Child Welfare Workers 53 for Local DSS	14,452,391
54	4. Work First – Boys and Girls Clubs	1,500,000
55	5. Work First – After-School Services for At-Risk Children	2,249,642

1	6.	Work First – After-School Programs for At-Risk	
2		Youth in Middle Schools	500,000
3	7.	Work First – Work Central	550,000
4	8.	Adoption Services – Special Children's Adoption Fund	3,000,000
5	9.	Family Violence Prevention	2,200,000
6		Division of Child Development	
7	10.	Subsidized Child Care Program	48,563,266
8		DHHS Administration	
9	11.	Division of Social Services	762,626
10	12.	Office of the Secretary	65,836
11	13.	Office of the Secretary/DIRM – TANF	
12		Automation Projects	592,500
13	14.	Office of the Secretary/DIRM – NCFAST Implementation	1,800,000
14		Transfers to other Block Grants	
15		Division of Child Development	
16	15.	Transfer to Child Care and Development Fund	81,292,880
17		Division of Social Services	
18	16.	Transfer to SSBG for Department of Juvenile	
19		Justice and Delinquency Prevention – Support our Students	2,749,642
20	17.	Transfer to SSBG for Child Protective Services –	
21		Child Welfare Training for Counties	2,550,000
22	18.	Transfer to SSBG for Maternity Homes	838,000
23	19.	Transfer to SSBG for Teen Pregnancy Prevention Initiatives	2,500,000
24	20.	Transfer to SSBG for County DSS for Children's Services	4,500,000
25	21.	Transfer to SSBG for Foster Care Services	1,181,907
26		TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
27		BLOCK GRANT TOTAL	\$362,309,239
28			
29		SOCIAL SERVICES BLOCK GRANT	
30		Local Program Expenditures	
31		Divisions of Social Services and Aging & Adult Services	
32	1.	County departments of social services (Transfer	
33		from TANF – \$4,500,000)	\$ 28,868,189
34	2.	State In-Home Services Fund (DAAS)	2,101,113
35	3.	State Adult Day Care Fund (DAAS)	2,155,301
36	4.	Child Protective Services/CPS Investigative Services –	
37		Child Medical Evaluation Program (DSS)	238,321
38	5.	Foster Care Services (DSS)	
39		(Transfer from TANF-\$1,181,907)	2,649,662
40	6.	Foster Care Maintenance Payments	2,636,587
41	7.	CPS – Child Welfare Training for Counties	
42		(Transfer from TANF)	2,550,000
43	8.	Maternity Homes (Transfer from TANF)	838,000
44		Division of Aging and Adult Services	
45	9.	Home and Community Care Block Grant (HCCBG)	1,834,077
46	10.	Mental Health Services Program	422,003
47	11.	Developmental Disabilities Services Program	5,000,000
48	12.	Mental Health Services – Adult	
49		Mental Health Services – Child	
50		Developmental Disabilities Program	
51		Substance Abuse Services-Adult	3,234,601
52		Division of Child Development	
53	13.	Subsidized Child Care Program	3,195,000
54		Division of Vocational Rehabilitation	
55	14.	Vocational Rehabilitation Services – Easter Seal	

1	Society/UCP	188,263
2	Office of the Secretary – OEO	
3	15. Elderly Supplemental Grant Program	41,302
4	Division of Public Health	
5	16. Teen Pregnancy Prevention Initiatives	
6	(Transfer from TANF)	2,500,000
7	Division of Aging and Adult Services	
8	17. UNC-CARES Training Contract	247,920
9	Division of Blind	
10	18. Independent Living Program	3,480,133
11	Division of Facility Services	
12	19. Adult Care Licensure Program	411,897
13	20. Mental Health Licensure and Certification Program	205,668
14	DHHS Administration	
15	21. Division of Aging and Adult Services	658,674
16	22. Division of Social Services	869,058
17	23. Office of the Secretary/Controller's Office	126,155
18	24. Office of the Secretary/DIRM	82,009
19	25. Office of the Secretary	46,819
20	26. Division of Child Development	15,000
21	27. Division of Mental Health Developmental	
22	Disabilities and Substance Abuse Services	28,860
23	28. Division of Facility Services	159,218
24	29. Office of the Secretary – NC Inter-Agency Council for	
25	Coordinating Homeless Programs	250,000
26	30. Office of the Secretary – Housing Coalition	100,000
27	Transfers to Other State Agencies	
28	Department of Administration	
29	31. NC Commission of Indian Affairs In-Home Services	
30	for the Elderly	203,198
31	Department of Juvenile Justice and Delinquency Prevention	
32	32. Support Our Students (Transfer from TANF)	2,749,642
33	Transfers to Other Block Grants	
34	Division of Public Health	
35	33. Transfer to Preventive Health Services BG for	
36	HIV/STD Prevention and Community Planning	145,819
37	SOCIAL SERVICES BLOCK GRANT TOTAL	\$68,232,489
38		
39	LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT	
40	Local Program Expenditures	
41	Division of Social Services	
42	1. Low Income Energy Assistance Program (LIEAP)	\$17,315,919
43	2. Crisis Intervention Program (CIP)	12,904,706
44	Office of the Secretary – Office of Economic Opportunity	
45	3. Weatherization Program	5,578,702
46	4. Heating Air Repair & Replacement Program (HARRP)	2,602,008
47	Division of Social Services	
48	5. County DSS Administration	2,215,016
49	Office of the Secretary – Office of Economic Opportunity	
50	6. Local Residential Energy Efficiency Service Providers –	
51	Weatherization	262,837
52	7. Local Residential Energy Efficiency Service	
53	Providers – HARRP	122,591
54	DHHS Administration	
55	8. Division of Social Services	215,000

1	9. Division of Mental Health/DD/SAS	7,389
2	10. Office of the Secretary/DIRM	245,395
3	11. Office of the Secretary/Controller's Office	11,211
4	12. Office of the Secretary/Office of Economic	
5	Opportunity – Weatherization	262,837
6	13. Office of the Secretary/Office of Economic	
7	Opportunity – HARRP	122,591
8	Transfers to other State Agencies	
9	14. Department of Administration – N.C. Commission of	
10	Indian Affairs	59,740
11	LOW INCOME HOME ENERGY ASSISTANCE BLOCK	
12	GRANT TOTAL	\$41,925,942
13		
14	CHILD CARE AND DEVELOPMENT BLOCK GRANT	
15	Local Program Expenditures	
16	Division of Child Development	
17	1. Subsidized Child Care Services (CCDF)	\$163,231,913
18	2. Subsidized Child Care Services (TANF to CCDF)	81,292,880
19	3. Quality and Availability Initiatives	31,463,419
20	Local Administration	
21	Division of Child Development	
22	4. Administrative Expenses (Non-Direct Subsidy Services Support)	1,849,000
23	DHHS Administration	
24	Division of Child Development	
25	5. DCD Administrative Expenses	6,028,354
26	CHILD CARE AND DEVELOPMENT BLOCK	
27	GRANT TOTAL	\$283,865,566
28		
29	MENTAL HEALTH SERVICE BLOCK GRANT	
30	Local Program Expenditures	
31	Division of MH/DD/SAS	
32	1. Mental Health Services – Adult	\$5,654,932
33	2. Mental Health Services – Child	3,921,992
34	3. Comprehensive Treatment Service Program	1,500,000
35	DHHS Administration	
36	Division of MH/DD/SAS	
37	4. Division of Mental Health	100,000
38	MENTAL HEALTH SERVICES BLOCK GRANT	
39	TOTAL	\$11,176,923
40		
41	SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
42	Local Program Expenditures	
43	Division of Mental Health, Developmental	
44	Disabilities and Substance Abuse Services	
45	1. Substance Abuse Services – Adult	\$20,537,390
46	2. Substance Abuse Treatment Alternatives for Women	8,069,524
47	3. Substance Abuse – HIV and IV Drug	4,816,378
48	4. Substance Abuse Prevention – Child	5,835,701
49	5. Substance Abuse Services – Child	4,940,500
50	6. Substance Abuse Strengthening Families – Prevention	851,156
51	Division of Public Health	
52	7. Risk Reduction Projects	383,980
53	8. Aid to Counties	209,576
54	9. Maternal Health	37,779
55	DHHS Administration	

1	10. Division of Mental Health	500,000
2	SUBSTANCE ABUSE PREVENTION AND	
3	TREATMENT BLOCK GRANT TOTAL	\$46,181,984
4		
5	MATERNAL AND CHILD HEALTH BLOCK GRANT	
6	Local Program Expenditures	
7	Division Name	
8	1. Children's Health Services	\$6,657,275
9	2. Maternal Health	3,441,129
10	3. Family Planning	4,078,338
11	4. Oral Health	34,284
12	5. Teen Pregnancy Prevention Initiatives	85,710
13	DHHS Program Expenditures	
14	Division Name	
15	6. Children's Health Services	2,446,112
16	7. Maternal Health	106,927
17	8. State Center for Health Statistics	33,134
18	9. Local Technical Assistance & Training	17,318
19	10. Injury and Violence Prevention	142,850
20	11. Office of Minority Health	37,068
21	12. Immunization Program – Vaccine Distribution	310,667
22	DHHS Administration	
23	13. Division of Public Health administration	600,586
24	MATERNAL AND CHILD HEALTH BLOCK GRANT	
25	TOTAL	\$17,991,398
26		
27	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	
28	Local Program Expenditures	
29	Division of Public Health	
30	1. NC Statewide Health Promotion	\$1,775,653
31	2. Services to Rape Victims	197,112
32	3. HIV/STD Prevention and Community Planning	
33	(Transfer from SSBG)	145,819
34	DHHS Program Expenditures	
35	Division of Public Health	
36	4. NC Statewide Health Promotion	718,451
37	5. Oral Health	70,000
38	DHHS Administration	
39	Division of Public Health	
40	6. Administration	163,806
41	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK	
42	GRANT TOTAL	\$3,070,841
43		
44		
45	COMMUNITY SERVICES BLOCK GRANT	
46	Local Program Expenditures	
47	Office of Economic Opportunity	
48	1. Community Action Agencies	\$15,071,666
49	2. Limited Purpose Agencies	823,136
50	DHHS Administration (by division)	
51	3. Office of Economic Opportunity	823,136
52	COMMUNITY SERVICES BLOCK GRANT TOTAL	\$16,717,938
53		

54 **SECTION 5.1.(b)** Changes in Federal Fund Availability. – If the Congress
55 of the United States increases the federal fund availability for any of the Block Grants

1 administered by the Department of Health and Human Services from the amounts
2 appropriated in this section, the Department shall allocate the increase proportionally
3 across the program and activity appropriations identified for that Block Grant in this
4 section. In allocating an increase in federal fund availability, the Department shall not
5 propose funding for new programs or activities not appropriated in this section.

6 If the Congress of the United States decreases the federal fund availability for
7 any of the Block Grants administered by the Department of Health and Human Services
8 from the amounts appropriated in this section, the Department shall reduce State
9 administration by at least the percentage of the reduction in federal funds. After
10 determining the State administration, the remaining reductions shall be allocated
11 proportionately across the program and activity appropriations identified for that Block
12 Grant in this section.

13 Prior to allocating the change in federal fund availability, the proposed
14 allocation must be approved by the Office of State Budget and Management. If the
15 Department adjusts the allocation of any Block Grant due to changes in federal fund
16 availability, then a report shall be made to the Joint Legislative Commission on
17 Governmental Operations, the House of Representatives Appropriations Subcommittee
18 on Health and Human Services, the Senate Appropriations Committee on Health and
19 Human Services, and the Fiscal Research Division.

20 **SECTION 5.1.(c)** All changes to the budgeted allocations to the Block
21 Grants administered by the Department of Health and Human Services that are not
22 specifically addressed in this section shall be approved by the Office of State Budget
23 and Management, and a report shall be submitted to the Joint Legislative Commission
24 on Governmental Operations for review prior to implementing the changes. All changes
25 to the budgeted allocations to the Block Grant shall be reported immediately to the
26 House of Representatives Appropriations Subcommittee on Health and Human
27 Services, the Senate Appropriations Committee on Health and Human Services, and the
28 Fiscal Research Division. This subsection does not apply to Block Grant changes
29 caused by legislative salary increases and benefit adjustments.

30 **CHILD CARE AND DEVELOPMENT BLOCK GRANT**

31 **SECTION 5.1.(d)** Payment for subsidized child care services provided with
32 federal TANF funds shall comply with all regulations and policies issued by the
33 Division of Child Development for the subsidized child care program.

34 **SECTION 5.1.(e)** If funds appropriated through the Child Care and
35 Development Fund Block Grant for any program cannot be obligated or spent in that
36 program within the obligation or liquidation periods allowed by the federal grants, the
37 Department may move funds to child care subsidies, unless otherwise prohibited by
38 federal requirements of the grant, in order to use the federal funds fully.

39 **SOCIAL SERVICES BLOCK GRANT**

40 **SECTION 5.1.(f)** Social Services Block Grant funds appropriated to the
41 North Carolina Inter-agency Council for Coordinating Homeless Program and the N. C.
42 Housing Coalition are exempt from the provisions of 10A NCAC 71R.0201.(3).

43 **NER BLOCK GRANTS**

44 **SECTION 5.2.** The Department of Commerce shall submit to the Office of
45 State Budget and Management a plan for allocating federal funds received for the
46 Community Development Block Grant. Upon receipt and approval of the Department's
47 plan, the Office of State Budget and Management shall submit an allocation schedule to
48 the North Carolina General Assembly for review and appropriation of federal block
49 grant funds for the fiscal year ending June 30, 2008.

50 **PART VI. GENERAL PROVISIONS**

51 **APPROPRIATION OF CASH BALANCES AND RECEIPTS**

52 **SECTION 6.1.(a)** Expenditures of cash balances, federal funds,
53 departmental receipts, grants, and gifts from the various General Fund, Special Revenue
54
55

1 Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes
2 are appropriated and authorized for the 2007-2009 fiscal biennium as follows:

- 3 (1) For all budget codes listed in "North Carolina State Budget,
4 Recommended Operating Budget 2007-2009, Volumes 1 through 6",
5 cash balances and receipts are appropriated up to the amounts
6 specified in Volumes 1 through 6, as adjusted by the General
7 Assembly, for the 2007-2008 fiscal year and the 2008-2009 fiscal year.
8 Funds may be expended only for the programs, purposes, objects, and
9 line items specified in Volumes 1 through 6, or otherwise authorized
10 by the General Assembly.
- 11 (2) For all budget codes that are not listed in "North Carolina State
12 Budget, Recommended Operating Budget 2007-2009, Volumes 1
13 through 6", cash balances and receipts are appropriated for each year
14 of the 2007-2009 fiscal biennium up to the level of actual expenditures
15 for the 2006-2007 fiscal year, unless otherwise provided by law. Funds
16 may be expended only for the programs, purposes, objects, and line
17 items authorized for the 2006-2007 fiscal year.
- 18 (3) Notwithstanding subdivisions (1) and (2) of this subsection, any
19 receipts that are required to be used to pay debt service requirements
20 for various outstanding bond issues and certificates of participation are
21 appropriated up to the actual amounts received for the 2007-2008
22 fiscal year and the 2008-2009 fiscal year and shall be used only to pay
23 debt service requirements.
- 24 (4) Notwithstanding subdivisions (1) and (2) of this subsection, cash
25 balances and receipts of funds that meet the definition issued by the
26 Governmental Accounting Standards Board of a trust or agency fund
27 are appropriated for and in the amounts required to meet the legal
28 requirements of the trust agreement for the 2007-2008 fiscal year and
29 the 2008-2009 fiscal year.

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

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

38 Overrealized receipts are appropriated up to the amounts necessary to
39 implement this subsection.

40 In addition to the consultation and reporting requirements set out in
41 G.S. 143-23 and G.S. 143-27, the Office of State Budget and Management shall report
42 to the Joint Legislative Commission on Governmental Operations and to the Fiscal
43 Research Division of the Legislative Services Office within 30 days after the end of
44 each quarter on any overrealized receipts approved for expenditure under this
45 subsection by the Director of the Budget. The report shall include the source of the
46 receipt, the amount overrealized, the amount authorized for expenditure, and the
47 rationale for expenditure.

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

52 **INSURANCE AND FIDELITY BONDS**

53 **SECTION 6.2.** All insurance and all official fidelity and surety bonds
54 authorized for the several departments, institutions, and agencies shall be effected and
55

1 placed by the Department of Insurance, and the cost of placement shall be paid by the
2 affected department, institution, or agency with the approval of the Commissioner of
3 Insurance.

4 5 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

6 **SECTION 6.3.** All funds appropriated by this act into reserves may be
7 expended only for the purposes for which the reserves were established.

8 9 **REDEPLOYMENT OF RESOURCES RESULTING FROM HR/PAYROLL** 10 **IMPLEMENTATION**

11 **SECTION 6.4.** Notwithstanding any other provision of law, the Office of
12 State Budget and Management is authorized to evaluate the impact of the BEACON
13 Program on affected agencies and to develop a plan for addressing resources affected by
14 the Program. As relates to the impact on personnel, the State Redeployment Plan shall
15 be implemented to the extent possible and, when compliance with federal or State law
16 requires, new positions may be created if balanced by the elimination of a current or
17 contracted position. This provision expires December 31, 2008.

18 19 **REVISE FREQUENCY OF FEE REPORT**

20 **SECTION 6.5.** G.S. 143C-9-4 reads as rewritten:
21 "**§ 143C-9-4. (Effective July 1, 2007) Annual Fee Report.**

22 The Office of State Budget and Management shall prepare a report ~~annually~~
23 biennially on the fees charged by each State department, bureau, division, board,
24 commission, institution, and agency during the previous fiscal year. The report shall
25 include the statutory or regulatory authority for each fee, the amount of the fee, when
26 the amount of the fee was last changed, the number of times the fee was collected
27 during the prior fiscal year, and the total receipts from the fee during the prior fiscal
28 year."

29 30 **BUDGET REALIGNMENT**

31 **SECTION 6.6.** Notwithstanding G.S. 143C-6-4(b), the Office of State
32 Budget and Management may adjust the enacted budget by making transfers among
33 purposes or programs for the sole purpose of correctly aligning authorized positions and
34 associated operating costs with the appropriate purposes or programs as defined in
35 G.S. 143C-1-1(d)(23). The Office of State Budget and Management shall change the
36 certified budget to reflect these adjustments only after reporting the proposed
37 adjustments to the Joint Legislative Commission on Governmental Operations and the
38 Fiscal Research Division. Under no circumstances shall total General Fund
39 expenditures for a State department exceed the amount appropriated to that department
40 from the General Fund for the fiscal year.

41 42 **EDUCATION LOTTERY**

43 **SECTION 6.7.(a)** Notwithstanding G.S. 18C-164, the revenue used to
44 support appropriations made in this act is transferred from the State Lottery Fund in the
45 amount of four hundred thirty-eight million dollars (\$438,000,000) for the 2007-2008
46 fiscal year.

47 **SECTION 6.7.(b)** Notwithstanding G.S. 18C-164, the appropriations made
48 from the Education Lottery Fund pursuant to G.S. 18C-164(d) for the 2007-2008 fiscal
49 year are as follows:

50		
51	Class Size Reduction	\$ 127,867,291
52	Prekindergarten Program	144,572,109
53	Public School Building Capital Fund	132,448,480
54	Scholarships for Needy Students	33,112,120
55		

Total Appropriation \$ 438,000,000

SECTION 6.7.(c) G.S. 18C-162(a) reads as rewritten:

"(a) To the extent ~~practicable, and in order to maximize total net revenues for education purposes,~~ the Commission shall allocate revenues to the North Carolina State Lottery Fund in the following manner:

- (1) At least fifty percent (50%) of the total annual revenues, as described in this Chapter, shall be returned to the public in the form of prizes.
- (2) ~~At least thirty five percent (35%)~~ The percentage of the total annual revenues, as described in this Chapter, that the Commission determines necessary to maximize total net revenues for education and satisfy the annual appropriation requirements set by the General Assembly shall be transferred as provided in G.S. 18C-164.
- (3) No more than eight percent (8%) of the total annual revenues, as described in this Chapter, shall be allocated for payment of expenses of the Lottery. Advertising expenses shall not exceed one percent (1%) of the total annual revenues.
- (4) No more than seven percent (7%) of the total annual revenues, as described in this Chapter, shall be allocated for compensation paid to lottery game retailers."

SECTION 6.7.(d) Notwithstanding G.S. 18C-164(e), any unexpended funds in budget code 13510 may be used to support the 2006-2007 appropriation for Class Size Reduction established in Section 6.15.(b) of S.L. 2006-66.

SECTION 6.7.(e) This section becomes effective June 30, 2007.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1.(a) Effective for the 2007-2008 school year, the Director of the Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools funds necessary to implement the teacher salary schedules set out in subsection (b) of this section and for longevity in accordance with subsection (c) of this section, including funds for the employer's retirement and social security contributions for all teachers whose salaries are supported from the State's General Fund.

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

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

2007-2008 Monthly Salary Schedule

Years of Experience	"A" Teachers	NBPTS Certification
0	\$2,975	N/A
1	\$3,017	N/A
2	\$3,061	N/A
3	\$3,217	\$3,603
4	\$3,357	\$3,760
5	\$3,491	\$3,910
6	\$3,620	\$4,054
7	\$3,724	\$4,171
8	\$3,772	\$4,225
9	\$3,821	\$4,280

1	10	\$3,871	\$4,336
2	11	\$3,920	\$4,390
3	12	\$3,971	\$4,448
4	13	\$4,022	\$4,505
5	14	\$4,075	\$4,564
6	15	\$4,129	\$4,624
7	16	\$4,184	\$4,686
8	17	\$4,239	\$4,748
9	18	\$4,298	\$4,814
10	19	\$4,356	\$4,879
11	20	\$4,414	\$4,944
12	21	\$4,476	\$5,013
13	22	\$4,537	\$5,081
14	23	\$4,603	\$5,155
15	24	\$4,667	\$5,227
16	25	\$4,732	\$5,300
17	26	\$4,798	\$5,374
18	27	\$4,866	\$5,450
19	28	\$4,937	\$5,529
20	29	\$5,008	\$5,609
21	30+	\$5,106	\$5,719

2007-2008 Monthly Salary Schedule

"M" Teachers

Years of Experience	"M" Teachers	NBPTS Certification
0	\$3,273	N/A
1	\$3,319	N/A
2	\$3,367	N/A
3	\$3,539	\$3,964
4	\$3,693	\$4,136
5	\$3,840	\$4,301
6	\$3,982	\$4,460
7	\$4,096	\$4,588
8	\$4,149	\$4,647
9	\$4,203	\$4,707
10	\$4,258	\$4,769
11	\$4,312	\$4,829
12	\$4,368	\$4,892
13	\$4,424	\$4,955
14	\$4,483	\$5,021
15	\$4,542	\$5,087
16	\$4,602	\$5,154
17	\$4,663	\$5,223
18	\$4,728	\$5,295
19	\$4,792	\$5,367
20	\$4,855	\$5,438
21	\$4,924	\$5,515
22	\$4,991	\$5,590
23	\$5,063	\$5,671
24	\$5,134	\$5,750
25	\$5,205	\$5,830
26	\$5,278	\$5,911
27	\$5,353	\$5,995
28	\$5,431	\$6,083
29	\$5,509	\$6,170

1 30+

2 \$5,617

3 \$6,291

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

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

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

27 Certified psychologists with certification based on academic preparation at
28 the six-year degree level shall receive a salary supplement of one hundred twenty-six
29 dollars (\$126.00) per month in addition to the compensation provided for certified
30 psychologists. Certified psychologists with certification based on academic preparation
31 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
32 dollars (\$253.00) per month in addition to the compensation provided for certified
33 psychologists.

34 **SECTION 7.1.(f)** Speech pathologists who are certified as speech
35 pathologists at the masters degree level and audiologists who are certified as
36 audiologists at the masters degree level and who are employed in the public schools as
37 speech and language specialists and audiologists shall be paid on the school
38 psychologist salary schedule. Speech pathologists and audiologists with certification
39 based on academic preparation at the six-year degree level shall receive a salary
40 supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the
41 compensation provided for speech pathologists and audiologists. Speech pathologists
42 and audiologists with certification based on academic preparation at the doctoral degree
43 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
44 month in addition to the compensation provided for speech pathologists and
45 audiologists.

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

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

50 SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

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

SECTION 7.2.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2007-2008 fiscal year, commencing July 1, 2007, is as follows:

2007-2008 Principal and Assistant Principal Salary Schedules
Classification

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

2007-2008 Principal and Assistant Principal Salary Schedules
Classification

Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
0-14	\$4,775	-	-	-
15	\$4,840	-	-	-
16	\$4,904	\$4,973	-	-
17	\$4,973	\$5,041	\$5,185	-
18	\$5,041	\$5,114	\$5,257	\$5,331
19	\$5,114	\$5,185	\$5,331	\$5,407
20	\$5,185	\$5,257	\$5,407	\$5,485
21	\$5,257	\$5,331	\$5,485	\$5,564

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

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

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

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

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

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

SECTION 7.2.(e) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of

1 one hundred twenty-six dollars (\$126.00) per month and at the doctoral degree level
 2 shall be paid a salary supplement of two hundred fifty-three dollars (\$253.00) per
 3 month.

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

6 **SECTION 7.2.(g)** If a principal is reassigned to a higher job classification
 7 because the principal is transferred to a school within a local school administrative unit
 8 with a larger number of State-allotted teachers, the principal shall be placed on the
 9 salary schedule as if the principal had served the principal's entire career as a principal
 10 at the higher job classification. If a principal is reassigned to a lower job classification
 11 because the principal is transferred to a school within a local school administrative unit
 12 with a smaller number of State-allotted teachers, the principal shall be placed on the
 13 salary schedule as if the principal had served the principal's entire career as a principal
 14 at the lower job classification. This subsection applies to all transfers on or after the
 15 effective date of this section, except transfers in school systems that have been created,
 16 or will be created, by merging two or more school systems. Transfers in these merged
 17 systems are exempt from the provisions of this subsection for one calendar year
 18 following the date of the merger.

19 **SECTION 7.2.(h)** Participants in an approved full-time masters in school
 20 administration program shall receive up to a 10-month stipend at the beginning salary of
 21 an assistant principal during the internship period of the masters program. For the
 22 2007-2008 fiscal year and subsequent fiscal years, the stipend shall not exceed the
 23 difference between the beginning salary of an assistant principal plus the cost of tuition,
 24 fees, and books and any fellowship funds received by the intern as a full-time student,
 25 including awards of the Principal Fellows Program. The Principal Fellows Program or
 26 the school of education where the intern participates in a full-time masters in school
 27 administration program shall supply the Department of Public Instruction with
 28 certification of eligible full-time interns.

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

33
 34 **CENTRAL OFFICE SALARIES**

35 **SECTION 7.3.(a)** The monthly salary ranges that follow apply to assistant
 36 superintendents, associate superintendents, directors/coordinators, supervisors, and
 37 finance officers for the 2007-2008 fiscal year, beginning July 1, 2007. The local board
 38 of education shall determine the appropriate category and placement for each assistant
 39 superintendent, associate superintendent, director/coordinator, supervisor, or finance
 40 officer within the salary ranges and within funds appropriated by the General Assembly
 41 for central office administrators and superintendents. The category in which an
 42 employee is placed shall be included in the contract of any employee hired on or after
 43 July 1, 2007.

44

45 School Administrator I	\$3,170	\$5,954
46 School Administrator II	\$3,365	\$6,315
47 School Administrator III	\$3,572	\$6,699
48 School Administrator IV	\$3,716	\$6,966
49 School Administrator V	\$3,865	\$7,248
50 School Administrator VI	\$4,101	\$7,686
51 School Administrator VII	\$4,266	\$7,996

52
 53 **SECTION 7.3.(b)** The monthly salary ranges that follow apply to public
 54 school superintendents for the 2007-2008 fiscal year, beginning July 1, 2007. The local
 55 board of education shall determine the appropriate category and placement for the

1 superintendent based on the average daily membership of the local school
2 administrative unit and within funds appropriated by the General Assembly for central
3 office administrators and superintendents.

4			
5	Superintendent I	\$4,527	\$8,482
6	Superintendent II	\$4,806	\$8,994
7	Superintendent III	\$5,099	\$9,543
8	Superintendent IV	\$5,412	\$10,122
9	Superintendent V	\$5,744	\$10,739

10
11 **SECTION 7.3.(c)** Longevity pay for superintendents, assistant
12 superintendents, associate superintendents, directors/coordinators, supervisors, and
13 finance officers shall be as provided for State employees under the State Personnel Act.

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

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

26 **SECTION 7.3.(f)** The annual salary increase for all permanent full-time
27 personnel paid from the Central Office Allotment shall be two and one-half percent
28 (2.5%), commencing July 1, 2007. The State Board of Education shall allocate these
29 funds to local school administrative units. The local boards of education shall establish
30 guidelines for providing salary increases to these personnel.

31 32 **NONCERTIFIED PERSONNEL SALARIES**

33 **SECTION 7.4.(a)** The annual salary increase for permanent, full-time
34 noncertified public school employees whose salaries are supported from the State's
35 General Fund shall be two and one-half percent (2.5%), commencing July 1, 2007.

36 **SECTION 7.4.(b)** Local boards of education shall increase the rates of pay
37 for such employees who were employed for all or part of fiscal year 2006-2007 and who
38 continue their employment for fiscal year 2007-2008 by providing an annual salary
39 increase for employees of two and one-half percent (2.5%).

40 **SECTION 7.4.(c)** The State Board of Education may adopt salary ranges for
41 noncertified personnel to support increases of two and one-half percent (2.5%) for the
42 2007-2008 fiscal year.

43 44 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 45 **SCHEDULES**

46 **SECTION 7.5.** Effective July 1, 2007, any permanent certified personnel
47 employed on July 1, 2007, and paid on the teacher salary schedule with 30+ years of
48 experience shall receive a one-time bonus equivalent to the average increase of the 27-
49 to 30-year steps. Effective July 1, 2007, any permanent personnel employed on July 1,
50 2007, and paid at the top of the principal and assistant principal salary schedule shall
51 receive a one-time bonus equivalent to two percent (2%). For permanent part-time
52 personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under
53 G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

54 55 **USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

1 **SECTION 7.6.(a)** Use of Funds for Supplemental Funding. – All funds
2 received pursuant to this section shall be used only: (i) to provide instructional
3 positions, instructional support positions, teacher assistant positions, clerical positions,
4 school computer technicians, instructional supplies and equipment, staff development,
5 and textbooks; (ii) for salary supplements for instructional personnel and instructional
6 support personnel; and (iii) to pay an amount not to exceed ten thousand dollars
7 (\$10,000) of the plant operation contract cost charged by the Department of Public
8 Instruction for services. Local boards of education are encouraged to use at least
9 twenty-five percent (25%) of the funds received pursuant to this section to improve the
10 academic performance of children who are performing at Level I or II on either reading
11 or mathematics end-of-grade tests in grades 3-8 and children who are performing at
12 Level I or II on the writing tests in grades 4 and 7. Local boards of education shall
13 report to the State Board of Education on an annual basis on funds used for this purpose,
14 and the State Board shall report this information to the Joint Legislative Education
15 Oversight Committee. These reports shall specify how these funds were targeted and
16 used to implement specific improvement strategies of each local school administrative
17 unit and its schools, such as teacher recruitment, closing the achievement gap,
18 improving student accountability, addressing the needs of at-risk students, and
19 establishing and maintaining safe schools.

20 **SECTION 7.6.(b)** The State Board of Education shall report this
21 information annually by October 31 to the Office of State Budget and Management, the
22 Joint Legislative Education Oversight Committee, and the Fiscal Research Division.

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

- 24 (1) "Anticipated county property tax revenue availability" means the
25 county-adjusted property tax base multiplied by the effective State
26 average tax rate.
- 27 (2) "Anticipated total county revenue availability" means the sum of the:
28 a. Anticipated county property tax revenue availability,
29 b. Local sales and use taxes received by the county that are levied
30 under Chapter 1096 of the 1967 Session Laws or under
31 Subchapter VIII of Chapter 105 of the General Statutes,
32 c. Sales tax hold harmless reimbursement received by the county
33 under G.S. 105-521, and
34 d. Fines and forfeitures deposited in the county school fund for the
35 most recent year for which data are available.
- 36 (3) "Anticipated total county revenue availability per student" means the
37 anticipated total county revenue availability for the county divided by
38 the average daily membership of the county.
- 39 (4) "Anticipated State average revenue availability per student" means the
40 sum of all anticipated total county revenue availability divided by the
41 average daily membership for the State.
- 42 (5) "Average daily membership" means average daily membership as
43 defined in the North Carolina Public Schools Allotment Policy
44 Manual, adopted by the State Board of Education. If a county contains
45 only part of a local school administrative unit, the average daily
46 membership of that county includes all students who reside within the
47 county and attend that local school administrative unit.
- 48 (6) "County-adjusted property tax base" shall be computed as follows:
49 a. Subtract the present-use value of agricultural land, horticultural
50 land, and forestland in the county, as defined in G.S. 105-277.2,
51 from the total assessed real property valuation of the county,
52 b. Adjust the resulting amount by multiplying by a weighted
53 average of the three most recent annual sales assessment ratio
54 studies,
55 c. Add to the resulting amount the:

- 1 1. Present-use value of agricultural land, horticultural land,
2 and forestland, as defined in G.S. 105-277.2,
- 3 2. Value of property of public service companies,
4 determined in accordance with Article 23 of Chapter 105
5 of the General Statutes, and
- 6 3. Personal property value for the county.
- 7 (7) "County-adjusted property tax base per square mile" means the
8 county-adjusted property tax base divided by the number of square
9 miles of land area in the county.
- 10 (8) "County wealth as a percentage of State average wealth" shall be
11 computed as follows:
 - 12 a. Compute the percentage that the county per capita income is of
13 the State per capita income and weight the resulting percentage
14 by a factor of five-tenths,
 - 15 b. Compute the percentage that the anticipated total county
16 revenue availability per student is of the anticipated State
17 average revenue availability per student and weight the
18 resulting percentage by a factor of four-tenths,
 - 19 c. Compute the percentage that the county-adjusted property tax
20 base per square mile is of the State-adjusted property tax base
21 per square mile and weight the resulting percentage by a factor
22 of one-tenth,
 - 23 d. Add the three weighted percentages to derive the county wealth
24 as a percentage of the State average wealth.
- 25 (9) "Effective county tax rate" means the actual county tax rate multiplied
26 by a weighted average of the three most recent annual sales assessment
27 ratio studies.
- 28 (10) "Effective State average tax rate" means the average of effective
29 county tax rates for all counties.
- 30 (10a) "Local current expense funds" means the most recent county current
31 expense appropriations to public schools, as reported by local boards
32 of education in the audit report filed with the Secretary of the Local
33 Government Commission pursuant to G.S. 115C-447.
- 34 (11) "Per capita income" means the average for the most recent three years
35 for which data are available of the per capita income according to the
36 most recent report of the United States Department of Commerce,
37 Bureau of Economic Analysis, including any reported modifications
38 for prior years as outlined in the most recent report.
- 39 (12) "Sales assessment ratio studies" means sales assessment ratio studies
40 performed by the Department of Revenue under G.S. 105-289(h).
- 41 (13) "State average current expense appropriations per student" means the
42 most recent State total of county current expense appropriations to
43 public schools, as reported by local boards of education in the audit
44 report filed with the Secretary of the Local Government Commission
45 pursuant to G.S. 115C-447.
- 46 (14) "State average adjusted property tax base per square mile" means the
47 sum of the county-adjusted property tax bases for all counties divided
48 by the number of square miles of land area in the State.
- 49 (14a) "Supplant" means to decrease local per student current expense
50 appropriations from one fiscal year to the next fiscal year.
- 51 (15) "Weighted average of the three most recent annual sales assessment
52 ratio studies" means the weighted average of the three most recent
53 annual sales assessment ratio studies in the most recent years for which
54 county current expense appropriations and adjusted property tax
55 valuations are available. If real property in a county has been revalued

1 one year prior to the most recent sales assessment ratio study, a
2 weighted average of the two most recent sales assessment ratios shall
3 be used. If property has been revalued the year of the most recent sales
4 assessment ratio study, the sales assessment ratio for the year of
5 revaluation shall be used.

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

10 **SECTION 7.6.(e)** Allocation of Funds. – Except as provided in subsection
11 (g) of this section, the amount received per average daily membership for a county shall
12 be the difference between the State average current expense appropriations per student
13 and the current expense appropriations per student that the county could provide given
14 the county's wealth and an average effort to fund public schools. (To derive the current
15 expense appropriations per student that the county could be able to provide given the
16 county's wealth and an average effort to fund public schools, multiply the county wealth
17 as a percentage of State average wealth by the State average current expense
18 appropriations per student.) The funds for the local school administrative units located
19 in whole or in part in the county shall be allocated to each local school administrative
20 unit located in whole or in part in the county based on the average daily membership of
21 the county's students in the school units. If the funds appropriated for supplemental
22 funding are not adequate to fund the formula fully, each local school administrative unit
23 shall receive a pro rata share of the funds appropriated for supplemental funding.

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

30 **SECTION 7.6.(g)** Minimum Effort Required. – Counties that had effective
31 tax rates in the 1996-1997 fiscal year that were above the State average effective tax
32 rate but that had effective rates below the State average in the 1997-1998 fiscal year or
33 thereafter shall receive reduced funding under this section. This reduction in funding
34 shall be determined by subtracting the amount that the county would have received
35 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount
36 that the county would have received if qualified for full funding and multiplying the
37 difference by ten percent (10%). This method of calculating reduced funding shall apply
38 one time only. This method of calculating reduced funding shall not apply in cases in
39 which the effective tax rate fell below the statewide average effective tax rate as a result
40 of a reduction in the actual property tax rate. In these cases, the minimum effort
41 required shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the
42 1995 Session Laws. If the county documents that it has increased the per student
43 appropriation to the school current expense fund in the current fiscal year, the State
44 Board of Education shall include this additional per pupil appropriation when
45 calculating minimum effort pursuant to Section 17.1(g) of Chapter 507 of the 1995
46 Session Laws.

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

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

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

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

13 **SECTION 7.6.(j)** Department of Revenue Reports. – The Department of
14 Revenue shall provide to the Department of Public Instruction a preliminary report for
15 the current fiscal year of the assessed value of the property tax base for each county
16 prior to March 1 of each year and a final report prior to May 1 of each year. The reports
17 shall include for each county the annual sales assessment ratio and the taxable values of
18 (i) total real property, (ii) the portion of total real property represented by the
19 present-use value of agricultural land, horticultural land, and forestland as defined in
20 G.S. 105-277.2, (iii) property of public service companies determined in accordance
21 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

22 23 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

24 **SECTION 7.7.(a)** Funds for Small School Systems. – Except as provided in
25 subsection (b) of this section, the State Board of Education shall allocate funds
26 appropriated for small school system supplemental funding (i) to each county school
27 administrative unit with an average daily membership of fewer than 3,175 students and
28 (ii) to each county school administrative unit with an average daily membership from
29 3,175 to 4,000 students if the county in which the local school administrative unit is
30 located has a county-adjusted property tax base per student that is below the
31 State-adjusted property tax base per student and if the total average daily membership of
32 all local school administrative units located within the county is from 3,175 to 4,000
33 students. The allocation formula shall:

- 34 (1) Round all fractions of positions to the next whole position.
- 35 (2) Provide five and one-half additional regular classroom teachers in
36 counties in which the average daily membership per square mile is
37 greater than four, and seven additional regular classroom teachers in
38 counties in which the average daily membership per square mile is
39 four or fewer.
- 40 (3) Provide additional program enhancement teachers adequate to offer
41 the standard course of study.
- 42 (4) Change the duty-free period allocation to one teacher assistant per 400
43 average daily membership.
- 44 (5) Provide a base for the consolidated funds allotment of at least seven
45 hundred forty thousand seventy-four dollars (\$740,074), excluding
46 textbooks for the 2007-2008 fiscal year and a base of seven hundred
47 forty thousand seventy-four dollars (\$740,074) for the 2008-2009
48 fiscal year.
- 49 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

50 If funds appropriated for each fiscal year for small school system
51 supplemental funding are not adequate to fully fund the program, the State Board of
52 Education shall reduce the amount allocated to each county school administrative unit
53 on a pro rata basis. This formula is solely a basis for distribution of supplemental
54 funding for certain county school administrative units and is not intended to reflect any
55 measure of the adequacy of the educational program or funding for public schools. The

1 formula is also not intended to reflect any commitment by the General Assembly to
2 appropriate any additional supplemental funds for such county administrative units.

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

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

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

20 **SECTION 7.7.(c)** Phase-Out Provisions. – If a local school administrative
21 unit becomes ineligible for funding under this formula because of (i) an increase in the
22 population of the county in which the local school administrative unit is located or (ii)
23 an increase in the county-adjusted property tax base per student of the county in which
24 the local school administrative unit is located, funding for that unit shall be continued
25 for five years after the unit becomes ineligible.

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

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

1 recent sales assessment ratio study, the sales assessment ratio for the
2 year of revaluation shall be used.

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

6 **SECTION 7.7.(f) Use of Funds.** – Local boards of education are encouraged
7 to use at least twenty percent (20%) of the funds they receive pursuant to this section to
8 improve the academic performance of children who are performing at Level I or II on
9 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
10 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
11 education shall report to the State Board of Education on an annual basis on funds used
12 for this purpose, and the State Board shall report this information to the Joint
13 Legislative Education Oversight Committee. These reports shall specify how these
14 funds were targeted and used to implement specific improvement strategies of each
15 local school administrative unit and its schools such as teacher recruitment, closing the
16 achievement gap, improving student accountability, addressing the needs of at-risk
17 students, and establishing and maintaining safe schools.

18 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

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

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

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

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

46 **SECTION 7.8.(b)** Beginning in the 2007-2008 fiscal year, funds
47 appropriated to a local education agency (LEA) for disadvantaged student supplemental
48 funding (DSSF) shall be allotted based on: (i) the LEA's eligible DSSF population and
49 (ii) the difference between a teacher-to-student ratio of 1:21 and the following
50 teacher-to-student ratios:

- 51 (1) For counties with wealth greater than ninety percent (90%) of the
52 statewide average, a ratio of 1:20;
- 53

- 1 (2) For counties with wealth not less than eighty percent (80%) and not
2 greater than ninety percent (90%) of the statewide average, a ratio of
3 1:19.5;
4 (3) For counties with wealth less than eighty percent (80%) of the
5 statewide average, a ratio of 1:19; and
6 (4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16.
7 These LEAs shall receive no less than the DSSF amount allotted in
8 2005-2006. For the purpose of this subsection, wealth shall be calculated under the
9 low-wealth supplemental formula.

10 STUDENTS WITH LIMITED ENGLISH PROFICIENCY

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

14 The State Board shall allocate these funds to local school administrative units
15 and to charter schools under a formula that takes into account the average percentage of
16 students in the units or the charters over the past three years who have limited English
17 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
18 average daily membership of the unit or the charter school includes at least 20 students
19 with limited English proficiency or (ii) students with limited English proficiency
20 comprise at least two and one-half percent (2.5%) of the average daily membership of
21 the unit or charter school. For the portion of the funds that is allocated on the basis of
22 the number of identified students, the maximum number of identified students for whom
23 a unit or charter school receives funds shall not exceed ten and six-tenths percent
24 (10.6%) of its average daily membership.

25 Local school administrative units shall use funds allocated to them to pay for
26 classroom teachers, teacher assistants, tutors, textbooks, classroom
27 materials/instructional supplies/equipment, transportation costs, and staff development
28 of teachers for students with limited English proficiency. A county in which a local
29 school administrative unit receives funds under this section shall use the funds to
30 supplement local current expense funds and shall not supplant local current expense
31 funds.

32 **SECTION 7.9.(b)** The Department of Public Instruction shall prepare a
33 current head count of the number of students classified with limited English proficiency
34 by December 1 of each year. Students in the head count shall be assessed at least once
35 every three years to determine their level of English proficiency. A student who scores
36 "superior" on the standard English language proficiency assessment instrument used in
37 this State shall not be included in the head count of students with limited English
38 proficiency.

39 AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS

40 **SECTION 7.10.** The State Board of Education may use up to two hundred
41 thousand dollars (\$200,000) of the funds in the Alternative Schools/At-Risk Student
42 allotment each year for the 2007-2008 fiscal year and for the 2008-2009 fiscal year to
43 implement G.S. 115C-12(24).

44 CHILDREN WITH DISABILITIES

45 **SECTION 7.11.** The State Board of Education shall allocate funds for
46 children with disabilities on the basis of three thousand one hundred fifty-seven dollars
47 and fifty-five cents (\$3,157.55) per child for a maximum of 172,317 children for the
48 2007-2008 school year. Each local school administrative unit shall receive funds for the
49 lesser of (i) all children who are identified as children with disabilities, or (ii) twelve
50 and five-tenths percent (12.5%) of the 2007-2008 allocated average daily membership
51 in the local school administrative unit.

1 The dollar amounts allocated under this section for children with disabilities
2 shall also adjust in accordance with legislative salary increments, retirement rate
3 adjustments, and health benefit adjustments for personnel who serve children with
4 disabilities.

5 6 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

7 **SECTION 7.12.** The State Board of Education shall allocate funds for
8 academically or intellectually gifted children on the basis of one thousand twelve dollars
9 and sixty cents (\$1,012.60) per child. A local school administrative unit shall receive
10 funds for a maximum of four percent (4%) of its 2007-2008 allocated average daily
11 membership, regardless of the number of children identified as academically or
12 intellectually gifted in the unit. The State Board shall allocate funds for no more than
13 58,470 children for the 2007-2008 school year.

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

18 19 **EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY**

20 **SECTION 7.13.(a)** Funds appropriated for the 2007-2008 and 2008-2009
21 fiscal years for Student Accountability Standards shall be used to assist students to
22 perform at or above grade level in reading and mathematics in grades 3-8 as measured
23 by the State's end-of-grade tests. The State Board of Education shall allocate these funds
24 to LEAs based on the number of students who score at Level I or Level II on either
25 reading or mathematics end-of-grade tests in grades 3-8. Funds in the allocation
26 category shall be used to improve the academic performance of (i) students who are
27 performing at Level I or II on either reading or mathematics end-of-grade tests in grades
28 3-8 or (ii) students who are performing at Level I or II on the writing tests in grades 4
29 and 7. These funds may also be used to improve the academic performance of students
30 who are performing at Level I or II on the high school end-of-course tests. These funds
31 shall not be transferred to other allocation categories or otherwise used for other
32 purposes. Except as otherwise provided by law, local boards of education may transfer
33 other funds available to them into this allocation category.

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

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

41 These funds shall be allocated to local school administrative units for the
42 2007-2008 fiscal year within 30 days of the date this act becomes law.

43 **SECTION 7.13.(b)** Funds appropriated for Student Accountability
44 Standards shall not revert at the end of each fiscal year but shall remain available for
45 expenditure until August 31 of the subsequent fiscal year.

46 **SECTION 7.13.(c)** Funds appropriated for the At-Risk/Alternative Schools
47 allotment and the Improving Student Accountability allotment shall be used consistent
48 with the policies and procedures adopted by the State Board of Education. Priority for
49 use of the funds shall be to (i) provide instructional positions or instructional support
50 positions and/or professional development; (ii) provide intensive in-school and/or
51 after-school remediation; and (iii) purchase diagnostic software and progress monitoring
52 tools.

53 **SECTION 7.13.(d)** To remain eligible for funds appropriated for the
54 At-Risk/Alternative Schools allotment and the Improving Student Accountability
55 allotment, local school administrative units must submit a report to the State Board of

1 Education by October 31 of each year detailing the expenditure of the funds and the
2 impact of these funds on student achievement. The State Board of Education shall report
3 this information annually by October 31 to the Office of State Budget and Management,
4 the Joint Legislative Education Oversight Committee, and the Fiscal Research Division.
5

6 **LITIGATION RESERVE FUNDS**

7 **SECTION 7.14.** The State Board of Education may expend up to five
8 hundred thousand dollars (\$500,000) each year for the 2007-2008 and 2008-2009 fiscal
9 years from unexpended funds for certified employees' salaries to pay expenses related to
10 pending litigation.
11

12 **REPLACEMENT SCHOOL BUSES FUNDS**

13 **SECTION 7.15.(a)** The State Board of Education may impose any of the
14 following conditions on allotments to local boards of education for replacement school
15 buses:

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

35 **SECTION 7.15.(b)** Any term contract for the purchase or lease-purchase of
36 school buses or school activity buses shall not require vendor payment of the electronic
37 procurement transaction fee of the North Carolina E-Procurement Service.
38

39 **DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM**

40 **SECTION 7.16.(a)** If the State Board of Education does not have sufficient
41 resources in the ADM Contingency Reserve line item to make allotment adjustments in
42 accordance with the Allotment Adjustments for ADM Growth provisions of the North
43 Carolina Public Schools Allotment Policy Manual, the State Board of Education may
44 use funds appropriated to State Aid for Public Schools for this purpose.

45 **SECTION 7.16.(b)** If the higher of the first or second month average daily
46 membership in a local school administrative unit is at least two percent (2%) or 100
47 students lower than the anticipated average daily membership used for allotments for
48 the unit, the State Board of Education shall reduce allotments for the unit. The reduced
49 allotments shall be based on the higher of the first or second month average daily
50 membership plus one-half of the number of students overestimated in the anticipated
51 average daily membership.

52 The allotments reduced pursuant to this subsection shall include only those
53 allotments that may be increased pursuant to the Allotment Adjustments for ADM
54 Growth provisions of the North Carolina Public Schools Allotment Policy Manual.
55

CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL EVALUATION

SECTION 7.17. The State Board of Education may spend up to fifty thousand dollars (\$50,000) a year from State Aid to Local School Administrative Units for the 2007-2008 and 2008-2009 fiscal years to continue support of a charter school advisory committee and to continue to evaluate charter schools.

MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

SECTION 7.18.(a) The State Board of Education shall grant flexibility to a local board of education regarding the use of mentor funds to provide mentoring support, provided the local board submits a detailed plan on the use of the funds to the State Board and the State Board approves that plan. The plan shall include information on how all mentors in the local school administrative unit have been or will be adequately trained to provide mentoring support.

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

SECTION 7.18.(b) The State Board, after consultation with the Professional Teaching Standards Commission, shall adopt standards for mentor training.

SECTION 7.18.(c) Each local board of education with a plan approved pursuant to subsection (a) of this section shall report to the State Board on the impact of its mentor program on teacher retention. The State Board shall analyze these reports to determine the characteristics of mentor programs that are most effective in retaining teachers and shall report its findings to the Joint Legislative Education Oversight Committee annually by October 15 each year of the biennium.

SECTION 7.18.(d) In addition to the report required in subsection (c) of this section, the State shall also evaluate the effectiveness of a representative sample of local mentor programs and report on its findings annually to the Joint Legislative Education Oversight Committee and the Fiscal Research Division by December 15 each year of the biennium. The evaluation shall focus on quantitative evidence, quality of service delivery, and satisfaction of those involved. The report shall include the results of the evaluation and recommendations both for improving mentor programs generally and for an appropriate level of State support for mentor programs.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.19.(a) The State Board of Education shall use funds appropriated in this act for State Aid to Local School Administrative Units to provide incentive funding for schools that met or exceeded the projected levels of improvement in student performance during the 2006-2007 school year, in accordance with the ABCs of Public Education Program. In accordance with State Board of Education policy:

- (1) Incentive awards in schools that achieve higher than expected improvements may be up to:
 - a. One thousand five hundred dollars (\$1,500) for each teacher and for certified personnel; and
 - b. Five hundred dollars (\$500.00) for each teacher assistant.
- (2) Incentive awards in schools that meet the expected improvements may be up to:
 - a. Seven hundred fifty dollars (\$750.00) for each teacher and for certified personnel; and
 - b. Three hundred seventy-five dollars (\$375.00) for each teacher assistant.

SECTION 7.19.(b) The State Board of Education may use funds appropriated to the State Public School Fund to implement the Consolidated Assistance program report required by Section 7.20 of this act.

CONSOLIDATED ASSISTANCE PROGRAM

SECTION 7.20.(a) The State Board of Education (SBE) shall ensure that all assistance to Local Education Agencies LEAs and schools that is provided on behalf of the State Board of Education (SBE) by the Department of Public Instruction and its contractors shall be merged into the Consolidated Assistance Program.

SECTION 7.20.(b) The SBE shall report to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee no later than October 30, 2007. The report shall contain (i) measurable goals and objectives for the assistance program, (ii) clearly defined criteria used to determine which (LEAs) and schools are selected to receive assistance, (iii) a description of the delivery mechanism for providing assistance with the consolidated resources, (iv) annual historical data on the assistance that has been provided since 1996-1997, (v) quantitative outcomes from the assistance program including student academic performance for each school and LEA assisted, (vi) an explanation of the assistance provided, (vii) research-based data regarding state LEA and school assistance programs, (viii) actual expenditures by category, (ix) recommendations for the continuance of this program, and (x) any other information the State Board deems necessary.

SECTION 7.20.(c) The Department will develop and maintain a revised organizational structure, clearly defined functions of consolidated Assistance Team program positions, and a budget for the provision of consolidated assistance services to LEAs to ensure the department can meet the needs of the LEAs. The organization structure and budget must be approved by the State Board of Education.

SECTION 7.20.(d) Funds in the amount of two million dollars (\$2,000,000) in 2007-2008 and two million dollars (\$2,000,000) in 2008-2009 are appropriated in this act to the State Board of Education to provide assistance through this consolidated program to the State's low-performing LEAs and schools to assist schools in meeting adequate yearly progress in each subgroup identified in the No Child Left Behind Act of 2001. These funds shall be placed in a reserve. The Director of the Office of State Budget and Management shall not release funds appropriated in this act to the SBE until the Consolidated Assistance Program report is received.

SECTION 7.20.(e) The State Board of Education shall contract with an independent evaluator to conduct an in-depth analysis of the effectiveness of the interventions provided to the State's low-performing schools. The evaluation should be scientifically based and address the following: the causal relationship between assistance team interventions, improvement in student performance in participating schools, participating schools' ability to meet adequate yearly progress in each subgroup identified in the No Child Left Behind Act of 2001, and the sustainability of any identified academic improvement.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.21.(a) Funds are appropriated in this act for the Learn and Earn high school workforce development program. The purpose of the program is to create rigorous and relevant high school options that provide students with the opportunity and assistance to earn an associate degree or two years of college credit by the conclusion of the year after their senior year in high school. The State Board of Education shall work closely with the Education Cabinet and the New Schools Project in administering the program.

SECTION 7.21.(b) These funds shall be used to establish new high schools in which a local school administrative unit, two- and four-year colleges and universities, and local employers work together to ensure that high school and postsecondary college curricula operate seamlessly and meet the needs of participating employers. Funds shall not be allotted until Learn and Earn high schools are certified as operational.

1 **SECTION 7.21.(c)** During the first year of its operation, a high school
2 established under G.S. 115C-238.50 shall be allotted a principal regardless of the
3 number of State-paid teachers assigned to the school or the number of students enrolled
4 in the school. The budget flexibility authorized by G.S. 115C-105.25 does not apply to
5 these positions.

6 **SECTION 7.21.(d)** The State Board of Education, in consultation with the
7 State Board of Community Colleges and The University of North Carolina Board of
8 Governors, shall conduct an annual evaluation of this program. The evaluation shall
9 include measures as identified in G.S. 115C-238.55. It shall also include: (i) an
10 accounting of how funds and personnel resources were utilized and their impact on
11 student achievement, retention, and employability; (ii) recommended statutory and
12 policy changes; and (iii) recommendations for improvement of the program. The State
13 Board of Education shall report the results of this evaluation to the Office of State
14 Budget and Management, the Joint Legislative Education Oversight Committee, and the
15 Fiscal Research Division by January 15 of each fiscal year.

16 **SECTION 7.21.(e)** Enrollment fees and tuition for The University of North
17 Carolina courses in which Learn and Earn students are enrolled are allowable uses of
18 these funds. Tuition costs may include laboratory fees assessed to all students enrolled
19 in the course or a similar course.

20 **SECTION 7.21.(f)** Textbooks required for college courses in which Learn
21 and Earn students are enrolled may be purchased with these funds.

22 **SECTION 7.21.(g)** Payment of fees from these funds by local school
23 administrative units to partnering community colleges and universities are restricted to
24 technology or course fees. Funds appropriated in this act shall not be used to support the
25 cost of athletic or other student activity or campus fees not required by enrollment in a
26 specific course.

27 **SECTION 7.21.(h)** The State Board of Education shall allot funds for
28 university enrollment, tuition and fees, and textbooks on the basis of and after
29 verification of the credit hour enrollment of Learn and Earn students in university
30 courses. The State Board of Education shall allot funds for community college fees and
31 textbooks on the basis of and after verification of the credit hour enrollment of Learn
32 and Earn students in community college courses.

33 34 **FUNDS FOR TEACHER WORKING CONDITIONS SURVEY INITIATIVE** 35 **SHALL NOT REVERT**

36 **SECTION 7.22.(a)** Funds appropriated to the State Board of Education to be
37 used in collaboration with the Professional Teaching Standards Commission for the
38 Teachers Working Conditions Survey Initiative shall not revert at the end of the
39 2006-2007 fiscal year but shall remain available until expended.

40 **SECTION 7.22.(b)** This section becomes effective June 30, 2007.

41 42 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

43 **SECTION 7.23.(a)** The North Carolina Virtual Public School (NCVPS)
44 program shall report to the State Board of Education and shall maintain an
45 administrative office at the Department of Public Instruction.

46 **SECTION 7.23.(b)** The Director of NCVPS will continue to ensure that
47 course quality standards are met and that all E-learning opportunities offered by
48 State-funded entities to public school students are consolidated under the NC Virtual
49 Public School program, eliminating course duplication. The Director shall report on the
50 consolidation status and operating plan for 2007-2008 to the Joint Legislative Education
51 Oversight Committee, the Office of State Budget and Management, and the Fiscal
52 Research Division no later than January 15, 2008. The report shall also address
53 specific collaboration efforts with Learn and Earn Online.

54 **SECTION 7.23.(c)** Subsequent to course consolidation, the Director will
55 prioritize e-learning course offerings for students residing in rural and low-wealth

1 county LEAs, in order to expand available instructional opportunities. First-available
2 E-learning instructional opportunities should include courses required as part of the
3 standard course of study for high school graduation and AP offerings not otherwise
4 available.

5 **SECTION 7.23.(d)** The State Board of Education shall develop an allotment
6 formula for funding E-learning, effective in the 2007-2008 fiscal year. In developing the
7 formula, the Board shall consider, at a minimum, the following:

- 8 (1) The number of students in average daily membership (ADM) projected
9 to enroll in E-learning,
- 10 (2) The projected cost of fees for E-learning courses,
- 11 (3) The extent to which projected enrollment in E-learning courses affects
12 funding required for other allotments that are based on ADM.

13 **SECTION 7.23.(e)** Any funds appropriated in this act for the NCVPS
14 program that are not expended in fiscal year 2006-2007 shall be carried forward for
15 expenditure in fiscal year 2007-2008. Any such funds that remain unexpended on June
16 30, 2008, shall revert to the General Fund.

17 **SECTION 7.23.(f)** This section becomes effective June 30, 2007.
18

19 **SMALL REDESIGNED HIGH SCHOOLS**

20 **SECTION 7.24.** The State Board of Education shall report the evaluation
21 results of the program to the Office of State Budget and Management, the Fiscal
22 Research Division, and the Joint Legislative Education Oversight Committee no later
23 than January 15 of each year. The evaluation shall include measures as identified in
24 G.S. 115C-238.55. It shall also include: (i) an accounting of how funds and personnel
25 resources were utilized and their impact on student achievement, retention, and
26 employability; and (ii) recommendations for improvement of the program. The State
27 Board of Education shall report the results of this evaluation to the Office of State
28 Budget and Management, the Joint Legislative Education Oversight Committee, and the
29 Fiscal Research Division no later than January 15 of each year.
30

31 **NC WISE POSITIONS**

32 **SECTION 7.25.** Notwithstanding G.S. 143C-6-4, the State Board of
33 Education may in consultation with the Office of Information Technology Services, use
34 funds appropriated in this act for NC WISE to create a maximum of 10 positions and
35 incur expenditures necessary to maintain and administer the NC WISE system within
36 the Department of Public Instruction.
37

38 **21ST CENTURY LITERACY COACHES**

39 **SECTION 7.26.(a)** Funds are appropriated in this act to support the
40 selection and hiring of 200 literacy coaches. Coaches will be hired and placed in 200
41 middle schools or other public schools with an eighth grade class. A site selection
42 process including formal criteria will be developed by the State Board of Education in
43 consultation with the North Carolina Teacher Academy. The site must receive formal
44 approval of the State Board of Education to receive funds for this purpose. To be
45 selected schools must

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

49 **SECTION 7.26.(b)** National Board for Professional Teaching Standards
50 (NBPTS) certified teachers serving in these positions shall be exempt from the
51 requirements in G.S. 115C-296.2(b)(2)d and shall remain on the NBPTS teacher salary
52 schedule.
53

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

1 **SECTION 7.27.(a)** The Department of Public Instruction shall continue the
2 implementation of the "More at Four" prekindergarten program for at-risk
3 four-year-olds who are at risk of failure in kindergarten. The program is available
4 statewide to all counties that choose to participate, including underserved areas. The
5 goal of the program is to provide quality prekindergarten services to a greater number of
6 at-risk children in order to enhance kindergarten readiness for these children. The
7 program shall be consistent with standards and assessments established jointly by the
8 Department of Health and Human Services and the Department of Public Instruction.
9 The program shall include:

- 10 (1) A process and system for identifying children at risk of academic
11 failure.
- 12 (2) A process and system for identifying children who are not being
13 served in formal early education programs, such as child care, public
14 or private preschools, Head Start, Early Head Start, early intervention
15 programs, or other such programs, who demonstrate educational needs,
16 and who are eligible to enter kindergarten the next school year, as well
17 as children who are underserved.
- 18 (3) A curriculum or several curricula that are research-based and/or built
19 on sound instructional theory. These curricula shall: (i) focus primarily
20 on oral language and emergent literacy; (ii) engage children through
21 key experiences and provide background knowledge requisite for
22 formal learning and successful reading in the early elementary years;
23 (iii) involve active learning; (iv) promote measurable kindergarten
24 language-readiness skills that focus on emergent literacy and
25 mathematical skills; and (v) develop skills that will prepare children
26 emotionally and socially for kindergarten.
- 27 (4) An emphasis on ongoing family involvement with the prekindergarten
28 program.
- 29 (5) Evaluation of child progress through a statewide evaluation, as well as
30 ongoing assessment of the children by teachers.
- 31 (6) Guidelines for a system to reimburse local school boards and systems,
32 private child care providers, and other entities willing to establish and
33 provide prekindergarten programs to serve at-risk children.
- 34 (7) A system built upon existing local school boards and systems, private
35 child care providers, and other entities that demonstrate the ability to
36 establish or expand prekindergarten capacity.
- 37 (8) A quality-control system. Participating providers shall comply with
38 standards and guidelines as established by the Department of Health
39 and Human Services and the Department of Public Instruction. The
40 Department may use the child care rating system to assist in
41 determining program participation.
- 42 (9) Standards for minimum teacher qualifications. A portion of the
43 classroom sites initially funded shall have at least one teacher who is
44 certified or provisionally certified in birth-to-kindergarten education.
- 45 (10) A local contribution. Programs must demonstrate that they are
46 accessing resources other than "More at Four".
- 47 (11) A system of accountability.
- 48 (12) Consideration of the reallocation of existing funds. In order to
49 maximize current funding and resources, the Department of Health and
50 Human Services and the Department of Public Instruction shall
51 consider the reallocation of existing funds from State and local
52 programs that provide prekindergarten-related care and services.

53 **SECTION 7.27.(b)** The Department of Public Instruction, in collaboration
54 with the Department of Health and Human Services, shall implement a plan to expand
55 "More at Four" program standards within existing resources to include four- and

1 five-star-rated centers and schools serving four-year-olds and develop guidelines for
2 these programs. The "NC Prekindergarten Program Standards" initiative shall recognize
3 four- and five-star-rated centers that choose to apply and meet equivalent "More at
4 Four" program standards as high quality prekindergarten classrooms. Classrooms
5 meeting these standards shall have access to training and workshops for "More at Four"
6 programs. Whenever expansion slots are available, these classrooms shall have first
7 priority to receive them.

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

13 **SECTION 7.27.(c)** The Department of Public Instruction shall submit a
14 report by February 1, 2008, to the Joint Legislative Commission on Governmental
15 Operations, the Joint Legislative Education Oversight Committee, the Senate
16 Appropriations Committee on Education, the House of Representatives Appropriations
17 Subcommittee on Education, and the Fiscal Research Division. This final report shall
18 include the following:

- 19 (1) The number of children participating in the program.
- 20 (2) The number of children participating in the program who have never
21 been served in other early education programs, such as child care,
22 public or private preschool, Head Start, Early Head Start, or early
23 intervention programs.
- 24 (3) The expected expenditures for the programs and the source of the local
25 match for each grantee.
- 26 (4) The location of program sites and the corresponding number of
27 children participating in the program at each site.
- 28 (5) A comprehensive cost analysis of the program, including the cost per
29 child served by the program.
- 30 (6) The status of the NC Prekindergarten initiatives as outlined in this
31 section.

32 **SECTION 7.27.(d)** For the 2007-2008 and the 2008-2009 fiscal years, the
33 "More at Four" program shall establish income eligibility requirements for the program
34 not to exceed seventy-five percent (75%) of the State median income. Up to twenty
35 percent (20%) of children enrolled may have family incomes in excess of seventy-five
36 percent (75%) of median income if they have other designated risk factors.

37 **SECTION 7.27.(e)** The "More at Four" program funding shall not supplant
38 any funding for classrooms serving four-year-olds as of the 2005-2006 fiscal year.
39 Support of existing four-year-old classrooms with "More at Four" program funding
40 shall be permitted when current funding is eliminated, reduced, or redirected as required
41 to meet other specified federal or State educational mandates.

42 **ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM**

43 **SECTION 7.28.** The Public School Forum, as administrator for the
44 Teaching Fellows Program, may use up to eight hundred ten thousand dollars
45 (\$810,000) for the 2007-2008 fiscal year from the balance in the revolving fund
46 established in G.S. 115C-363.23A(f) for costs associated with administration of the
47 Teaching Fellows Program. The funding provided for administration of the Teaching
48 Fellows Program in this subsection shall be used to meet current administrative
49 expenses of the Program, expand minority recruitment initiatives, and expand the
50 Program to up to four additional campuses using a merit-based selection process
51 developed by the North Carolina Teaching Fellows Commission. The Teaching Fellows
52 Program shall report to the Joint Legislative Education Oversight Committee by March
53 15, 2008, on:
54

- 1 (1) Actual expenditures for the 2006-2007 fiscal year and budgeted
- 2 expenditures for the 2007-2008 fiscal year for administration of the
- 3 Program and
- 4 (2) Initiatives to recruit minorities to the Program.
- 5

6 **CONVERT 100 TEACHING FELLOWS SCHOLARSHIP LOANS FOR**

7 **PROSPECTIVE MATHEMATICS AND SCIENCE TEACHERS**

8 **SECTION 7.29.** Beginning in the 2008-2009 fiscal year, 100 of the 500
9 teaching fellows scholarship loans as established in G.S. 115C-363.23A shall be
10 changed from four-year scholarship loans to two-year scholarship loans for North
11 Carolina college juniors who intend to obtain licensure in middle school or high school
12 mathematics or science.
13

14 **NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES**

15 **SECTION 7.30.(a)** G.S. 115C-105.41 prohibits charging tuition or fees to
16 Students at Risk for Academic Failure. Effective July 1, 2007, LEAs shall formally
17 communicate to at-risk students and their parents or guardians that there will be no
18 charge for participation in intervention activities/practices offered by the LEA to at-risk
19 students, or for transportation necessary for participation in the intervention activities.

20 **SECTION 7.30.(b)** Effective July 1, 2007, LEAs shall formally
21 communicate to students and their parents or guardians that tuition and fees will not be
22 charged for summer school courses that are required for remediation or courses that are
23 necessary for the student to meet graduation requirements.
24

25 **TRANSFER FUNDS DESIGNATED FOR INSTITUTE FOR PRINCIPALS IN**

26 **LOW-PERFORMING SCHOOLS TO THE STATE BOARD OF**

27 **EDUCATION**

28 **SECTION 7.31.** Two hundred fifty thousand dollars (\$250,000)
29 appropriated to The University of North Carolina in the 2006-2007 fiscal year for the
30 Principals' Executive Program initiative for principal leadership in high-need schools
31 shall be permanently transferred to the State Board of Education (SBE) effective July 1,
32 2007. These funds will support the training of principals in low-performing high
33 schools. The professional development provider will be selected at the discretion of the
34 SBE. The SBE will provide oversight for the training offered to these principals.
35

36 **LOTTERY RECEIPTS SHALL NOT REVERT**

37 **SECTION 7.32.(a)** Education Lottery receipts appropriated to support the
38 Prekindergarten Program and Class Size Reduction shall not revert at the end of the
39 2006-2007 fiscal year but shall remain available until expended.

40 **SECTION 7.32.(b)** This section becomes effective June 30, 2007.
41

42 **PROHIBIT USE OF STATE FUNDS FOR LOBBYING EXPENSES**

43 **SECTION 7.33.** State funds appropriated by this act for local school
44 administrative units shall not be used for the payment of dues to organizations that
45 conduct lobbying or legislative advocacy.
46

47 **LEARN AND EARN ONLINE**

48 **SECTION 7.34.(a)** Funds are appropriated in this act for the Learn and Earn
49 Online program. This program will allow high school students to enroll in college
50 courses to qualify for college credit. Online courses will be made available to students
51 through The University of North Carolina and the North Carolina Community College
52 System.

53 **SECTION 7.34.(b)** Funds shall be used for course tuition, and only those
54 technology and course fees, and textbooks required for course participation. Funds shall
55 also support a liaison position to be housed at the Department of Public Instruction to

1 coordinate with The University of North Carolina and the North Carolina Community
2 College System, and to communicate course availability and related information to high
3 school administrators, teachers, and counselors.

4 **SECTION 7.34.(c)** The State Board of Education shall determine the
5 allocation of Learn and Earn Online course offerings across the State.

6 **SECTION 7.34.(d)** The State Board of Education shall allot funds for
7 tuition, fees, and textbooks on the basis of and after verification of the credit hour
8 enrollment of high school students in Learn and Earn Online courses. Community
9 college student enrollments in Learn and Earn Online shall not be considered as a
10 regular budget full-time equivalents (FTE) in the curriculum enrollment formula, but
11 shall be accounted for separately and funds shall be allotted as a special allotment.

12 **SECTION 7.34.(e)** The University of North Carolina program shall report to
13 The University of North Carolina Board of Governors, and the North Carolina
14 Community College program shall report to the North Carolina Community College
15 Board of Trustees. The Department of Public Instruction shall report to the State Board
16 of Education.

17 **SECTION 7.34.(f)** Both The University of North Carolina and the North
18 Carolina Community College System shall provide oversight and coordination,
19 including coordination with the Department of Public Instruction, and with the North
20 Carolina Virtual Public School (NCVPS) to avoid course duplication.

21 **SECTION 7.34.(g)** Course quality and rigor standards shall be established,
22 and each program shall conduct course evaluations to ensure that the online courses
23 made available to students meet the established standards.

24 **SECTION 7.34.(h)** The State Board of Education, The University of North
25 Carolina, and the North Carolina Community College System shall report on the
26 proposed operating plan for 2008-2009 to the Joint Legislative Education Oversight
27 Committee, the Office of State Budget and Management, and the Fiscal Research
28 Division no later than March 1, 2008.

29 30 **COOPERATIVE INNOVATIVE HIGH SCHOOL PROGRAMS**

31 **SECTION 7.35.(a)** G.S. 115C-238.53(b) reads as rewritten:

32 "(b) A program approved under this Part shall operate under the terms of a written
33 agreement signed by the local board of education, local board of trustees, State Board of
34 Education, and applicable governing Board, by the local superintendent, the local
35 college/university president, the Superintendent of Public Instruction, and the president
36 of the higher education system. The agreement shall incorporate the information
37 provided in the application, as modified during the approval process, and any terms and
38 conditions imposed on the program by the State Board of Education and the applicable
39 governing Board. The first agreement may be for a term of no longer than five school
40 years. Subsequent agreements shall continue until terminated by the local board of
41 education, the board of trustees, or the applicable governing board upon written notice.
42 Such notice shall extend through the end of the public school's academic school year."

43 **SECTION 7.35.(b)** G.S. 115C-238.53(f) reads as rewritten:

44 "(f) Except as provided in this Part and under the terms of the agreement, a
45 program may be exempted by the applicable governing Board from laws and rules
46 applicable to a local board of education, a local school administrative unit, a community
47 college, a constituent institution, or a local board of trustees. The applicable governing
48 board may also grant a standard of exemptions applicable to the operation of these
49 programs."

50 51 **CONNECTIVITY INITIATIVE**

52 **SECTION 7.36.(a)** Funds are appropriated in this act to support the
53 enhancement of the technology infrastructure for public schools. These funds shall be
54 used for broadband access and equipment to create or improve access to instructional
55 opportunities for public school students offered via technology.

1 **SECTION 7.36.(b)** The State Board of Education shall conduct a formal
2 needs assessment and submit a report to the Office of State Budget and Management
3 and the Office of Information Technology Services via the Project Portfolio
4 Management (PPM) tool, detailing the implementation plan based on the assessment
5 results including:

- 6 (1) Identified statewide needs,
- 7 (2) The number, location and schedule of sites to be served in 2007-2008
8 and 2008-2009,
- 9 (3) The criteria used to select sites to be served each year of the biennium,
- 10 (4) The projected implementation budget including the per site costs, and
- 11 (5) All other information required by the PPM tool.

12 **SECTION 7.36.(c)** Funds appropriated will be placed in a reserve. The
13 Director of the Office of State Budget and Management shall not release funds
14 appropriated in this act to the SBE until the Connectivity Initiative report is received
15 and the Project Portfolio Management tool is approved by the Office of Information
16 Technology Services and the Office of State Budget and Management.

17 **SECTION 7.36.(d)** The Department of Public Instruction, with the approval
18 of the State Board of Education, Office of State Budget and Management, and the
19 Office of Information Technology may hire up to eight individuals to implement this
20 initiative. No more than one million dollars (\$1,000,000) of this appropriation shall be
21 used for salary and related personnel costs.

22 **SECTION 7.36.(e)** All applicable e-rate reimbursements will be directed to
23 the Department of Public Instruction to offset implementation costs incurred by this
24 initiative.

25 **SECTION 7.36.(f)** Up to three hundred thousand dollars (\$300,000) may be
26 transferred to the Office of the Governor to establish NC Virtual Public School
27 (NCVPS) within the Education Cabinet. These funds may be used for services to
28 coordinate E-learning activities across all State educational agencies.

29 **REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION**

30 **SECTION 7.37.(a)** Notwithstanding G.S. 143C-6-4, the Department of
31 Public Instruction may reorganize in accordance with the plan adopted by the State
32 Board of Education.

33 **SECTION 7.37.(b)** This section expires June 30, 2008.

34 **PART VIII. COMMUNITY COLLEGES**

35 **USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT**

36 **SECTION 8.1.(a)** Funds appropriated to the Community Colleges System
37 Office for the College Information System Project shall not revert at the end of the
38 2006-2007 fiscal year but shall remain available until expended.

39 **SECTION 8.1.(b)** The Community Colleges System Office shall report on a
40 quarterly basis to the Joint Legislative Education Oversight Committee on the
41 implementation of the College Information System Project.

42 **SECTION 8.1.(c)** Subsection (a) of this section becomes effective June 30,
43 2007.

44 **CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY COLLEGES**

45 **SECTION 8.2.(a)** Subject to the approval of the Office of State Budget and
46 Management and cash availability, the North Carolina Community Colleges System
47 Office may carry forward an amount not to exceed ten million dollars (\$10,000,000) of
48 the operating funds that were not reverted in fiscal year 2006-2007 to be reallocated to
49 the State Board of Community Colleges' Equipment Reserve Fund. These funds shall
50 be distributed to colleges consistent with G.S. 115D-31.
51
52
53
54
55

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

2
3 **SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL**
4 **STAFF**

5 **SECTION 8.3.(a)** Funds appropriated in this act for salary increases shall be
6 used to increase faculty and professional staff salaries by an average of two and one-half
7 percent (2.5%). These increases are in addition to other salary increases provided for in
8 this act and shall be calculated on the average salaries prior to the issuance of the
9 compensation increase. Colleges may provide additional increases from funds available.

10 **SECTION 8.3.(b)** The State Board of Community Colleges shall adopt rules
11 to ensure that these funds are used only to move faculty and professional staff to the
12 respective national averages. These funds shall not be transferred by the State Board or
13 used for any other budget purpose by the community colleges.

14
15 **REPORT ON THE NCCCS BIONETWORK**

16 **SECTION 8.4.** The Community Colleges System Office shall report
17 annually on November 1 to the Joint Legislative Education Oversight Commission, the
18 Office of State Budget and Management, and the Fiscal Research Division on the
19 implementation of the NCCCS BioNetwork. This report shall include an explanation of
20 the BioNetwork's activities, accomplishments, and expenditures.

21
22 **CARRYFORWARD OF SYSTEM OFFICE FUNDS FOR CASWELL BUILDING**
23 **SPACE RECONFIGURATION**

24 **SECTION 8.5.(a)** Subject to the approval of the Office of State Budget and
25 Management and cash availability, the North Carolina Community Colleges System
26 Office may carry forward an amount not to exceed three hundred forty thousand dollars
27 (\$340,000) of the operating funds that were not reverted in fiscal year 2006-2007 to be
28 used to reconfigure office space in the Community Colleges System Office, located in
29 the Caswell Building in Raleigh. These funds may be used for the purchase of furniture
30 and equipment necessary to implement the recommendations made by the State
31 Property Office.

32 **SECTION 8.5.(b)** This section becomes effective June 30, 2007.

33
34 **INSTRUCTIONAL RESOURCE ALLOCATION FORMULA**

35 **SECTION 8.6.** The State Board of Community Colleges shall develop a new
36 funding formula for library books and related instructional resources before distributing
37 funds appropriated in the 2007-2009 Continuation Budget. The revised instructional
38 resource allocation formula shall reflect the availability of online subscription resources
39 and electronic media and should include a base amount per college.

40
41 **PILOT PROGRAMS TO BE STUDIED FOR NCCCS INCREMENTAL**
42 **CREDENTIALS**

43 **SECTION 8.7.** Funds appropriated in this act to create incremental
44 credentials shall be used first to develop incremental credentials in the following
45 programs: Early Childhood Education, Automotive Systems Technology, Computer
46 Information Technology, and Building Construction Technology. The allocation of
47 these funds shall be determined by the Community Colleges System Office and
48 approved by the State Board of Community Colleges.

49
50 **ONLINE COURSE INSTRUCTION DELIVERY REQUIRED TO BE**
51 **COMPATIBLE AMONG ALL NC PUBLIC EDUCATION SYSTEMS**

52 **SECTION 8.8.(a)** Software purchased and used for online course instruction
53 by the Department of Public Instruction, the NC Community Colleges, and The
54 University of North Carolina shall be compatible and able to be integrated with course

1 management and distance learning software adopted by the State Board of Education,
2 the State Board of Community Colleges, and The University of North Carolina.

3 **SECTION 8.8.(b)** This provision shall apply to the NC Virtual Public
4 School, the NCCCS Virtual Learning Community, and any future online course
5 instruction software purchased.

6 **SECTION 8.8.(c)** The Office of Information Technology Services shall
7 ensure compatibility pursuant to subsection (a) of this section.
8

9 **JOINT NCCCS/UNC COURSE MANAGEMENT SYSTEM**

10 **SECTION 8.9.(a)** Funds appropriated in this act for the Joint NCCCS/UNC
11 Course Management System shall be used to consider potential options for a shared
12 course management system, to be implemented July 1, 2008. This solution shall
13 consider the possibility of using open-source course management software.

14 **SECTION 8.9.(b)** The NC Community College System and The University
15 of North Carolina shall report their recommendations for a shared course management
16 system to the Joint Legislative Education Oversight Committee, the Office of
17 Information Technology Services, and the Office of State Budget and Management by
18 March 1, 2008.
19

20 **PRIORITY FOR NEW PROGRAM START-UP FUNDS**

21 **SECTION 8.10.** The State Board of Community Colleges shall develop
22 rules governing the distribution of new program start-up funds appropriated in this act.
23 These funds shall be allocated first to programs fulfilling a high-priority need or
24 programs that are classified as new to the system.
25

26 **REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES**

27 **SECTION 8.11.** The Community Colleges System Office shall report by
28 March 1, 2008, to the Joint Legislative Education Oversight Committee, the Fiscal
29 Research Division, and the Office of State Budget and Management, on its efforts
30 regarding distance learning opportunities. This report shall complement the report
31 authorized by the General Assembly in S.L. 2004-179, Section 6, and shall address the
32 following:

- 33 (1) The implementation of the Learning Objects Repository, as
34 appropriated in this act;
- 35 (2) The expenditure of funds appropriated in this act, for bandwidth at
36 community colleges, including a description of each community
37 college's current bandwidth capacity;
- 38 (3) The Virtual Learning Community and its course development centers;
- 39 (4) Joint efforts between the NC Community College System and The
40 University of North Carolina, regarding distance learning;
- 41 (5) Joint efforts between individual community colleges and special
42 responsibility constituent institutions of The University of North
43 Carolina or NC private colleges;
- 44 (6) Analysis of necessary changes or enhancements to improve the sharing
45 of distance learning and online opportunities with The University of
46 North Carolina and the Department of Public Instruction;
- 47 (7) The adequacy of current funding, and the need for additional funds, to
48 support the initiatives listed in this section, as well as additional
49 anticipated online and distance education collaborations between the
50 NC Community College System, The University of North Carolina,
51 and the Department of Public Instruction.
52

53 **FACULTY UPGRADE AND STAFF DEVELOPMENT FUNDS**

54 **SECTION 8.12.(a)** Funds appropriated in the act for faculty upgrade and
55 staff development shall be allocated by the State Board of Community Colleges.

1 Community colleges may use these funds to provide their employees with training
2 opportunities that relate to teaching subject matter content and upgrading instructional
3 and technical skills. These opportunities may include funds for faculty to earn
4 baccalaureate and masters degrees, and for faculty to participate in industry-specific
5 training.

6 **SECTION 8.12.(b)** These funds may be used only to support educational
7 activities which serve to develop the employee's competencies, knowledge, skills, and
8 abilities directly related to their employment.

9 10 **ACHIEVING THE DREAM FUNDS**

11 **SECTION 8.13.** The Community Colleges System Office shall report by
12 November 1, 2008, to the Joint Legislative Education Oversight Committee, the Fiscal
13 Research Division, and the Office of State Budget and Management on its expenditures
14 of funds appropriated in this act for the Achieving the Dream initiative.

15 16 **CURRICULUM ENROLLMENT FORMULA**

17 **SECTION 8.14.** Student enrollment in Learn and Earn Online courses shall
18 not count as regular budget FTE in the curriculum enrollment formula but shall be
19 reported as self-supporting, and Learn and Earn Online funds shall be allotted as a
20 categorical State allotment.

21 22 **PART IX. UNIVERSITIES**

23 24 **NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS** 25 **ENROLLMENT GROWTH FORMULA**

26 **SECTION 9.1.(a)** The Office of State Budget and Management shall
27 conduct a study to create a formula for enrollment growth at the North Carolina School
28 of Science and Mathematics. This formula will be used to calculate the amount of funds
29 needed for enrollment growth for the North Carolina School of Science and
30 Mathematics. The formula will be used for calculating the enrollment growth funding
31 request to be submitted to the 2008 Session of the North Carolina General Assembly.

32 **SECTION 9.1.(b)** The Office of State Budget and Management shall submit
33 the study to the Joint Legislative Education Oversight Committee and the Fiscal
34 Research Division no later than March 1, 2008.

35 36 **REPORTING ON UNC FACULTY WORKLOAD**

37 **SECTION 9.2.(a)** The Board of Governors shall conduct a study on faculty
38 workload. The study shall be done using the Delaware Study Method of collecting data.
39 Information in the report should include, but is not to be limited to:

- 40 (1) Faculty workload data for each UNC constituent institution compared
41 to the UNC enrollment model.
- 42 (2) UNC faculty workload average as compared to the UNC enrollment
43 model student credit hours per instructional position.
- 44 (3) Faculty workload of regional and peer institutions as compared to each
45 UNC constituent institution faculty average and to the UNC faculty
46 workload average.

47 **SECTION 9.2.(b)** The UNC Board of Governors shall submit the study to
48 the Joint Legislative Education Oversight Committee, the Office of State Budget and
49 Management, and the Fiscal Research Division no later than March 1, 2008.

50 51 **MILLENNIUM TEACHER SCHOLARSHIP PROGRAM**

52 **SECTION 9.3.(a)** The Millennium Teacher Scholarship Program was
53 initially created by S.L. 2004-124, Section 9.2.(c) to provide scholarship loans in the
54 amount of six thousand five hundred dollars (\$6,500) to North Carolina residents
55 enrolled in a teacher education program at one of the State's three Historically Black

1 Colleges and Universities without the Teaching Fellows program. One of the three
2 eligible universities, Elizabeth City State University, is now a participant in the
3 Teaching Fellows program effective with the fall 2007 semester.

4 **SECTION 9.3.(b)** Elizabeth City State University, due to participation in the
5 Teaching Fellows program, no longer meets the criteria established for the Millennium
6 Teacher Scholarship Program. All current Millennium Scholars at Elizabeth City State
7 University shall retain the scholarship loan, and Elizabeth City State University shall
8 forfeit to the Escheat Fund all unused funding that it has received for Millennium
9 scholarship loans. No new Millennium scholarship loans shall be awarded to students at
10 Elizabeth City State University after July 1, 2007.

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

12 **SECTION 9.4.(a)** There is appropriated from the Escheat Fund income to
13 the Board of Governors of The University of North Carolina the sum of sixty-seven
14 million six hundred thirty-eight thousand and sixteen dollars (\$67,638,016) for
15 2007-2008 and 2008-2009, to the State Board of Community Colleges the sum of
16 thirteen million nine hundred eighty-one thousand two hundred two dollars
17 (\$13,981,202) for 2007-2008 and 2008-2009, to the Department of Administration,
18 Division of Veteran Affairs the sum of six million two hundred twenty-eight thousand
19 six hundred thirty-three dollars (\$6,228,633) for 2007-2008 and the sum of six million
20 five hundred twenty thousand nine hundred sixty-four dollars (\$6,520,964) for
21 2008-2009. These funds shall be allocated by the State Educational Assistance
22 Authority for need-based student financial aid in accordance with G.S. 116B-7.

23 If the interest income generated from the Escheat Fund is less than the
24 amounts referenced in this section, the difference may be taken from the Escheat Fund
25 principal to reach the appropriations referenced in this section; however, under no
26 circumstances shall the Escheat Fund principal be reduced below the sum of four
27 hundred million dollars (\$400,000,000).

28 **SECTION 9.4.(b)** The North Carolina State Education Assistance Authority
29 (SEAA) shall perform all of the administrative functions necessary to implement this
30 program of financial aid. The SEAA shall conduct periodic evaluations of expenditures
31 of the Scholarship Programs to determine if allocations are utilized to ensure access to
32 institutions of higher learning and to meet the goals of the respective programs. SEAA
33 may make recommendations for redistribution of funds to The University of North
34 Carolina, Department of Administration, and/or the President of the Community
35 College System regarding their respective scholarship programs, who then may
36 authorize redistribution of unutilized funds for a particular fiscal year.

37 **SECTION 9.4.(c)** There is appropriated from the Escheat Fund to the Board
38 of Governors of The University of North Carolina the sum of one million one hundred
39 fifty-seven thousand dollars (\$1,157,000) for the 2007-2008 and 2008-2009 fiscal years
40 to be allocated to the SEAA for need-based student financial aid to be used in
41 accordance with G.S. 116B-7 and this act. The SEAA shall use these funds only to
42 provide scholarship loans (known as the Millennium Teaching Scholarship Loan
43 Program) to North Carolina high school seniors interested in preparing to teach in the
44 State's public schools who also enroll at any of the Historically Black Colleges and
45 Universities that do not have Teaching Fellows. An allocation of 20 grants of six
46 thousand five hundred dollars (\$6,500) each shall be given to the two universities
47 without any Teaching Fellows for the purposes specified in this subsection. The SEAA
48 shall administer these funds and shall establish any additional criteria needed to award
49 these scholarship loans, the conditions for forgiving the loans, and the collection of the
50 loan repayments when necessary.

51 **SECTION 9.4.(d)** All obligations to students for uses of the funds set out in
52 sections that were made prior to the effective date of Section 9.4(a) shall be fulfilled as
53 to students who remain eligible under the provisions of the respective programs.
54
55

BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS

SECTION 9.5. The current Board of Governors' Medical Scholarship Program, under the purview of the Board of Governors of The University of North Carolina, shall make any awards to students admitted after July 1, 2007, as scholarship loan awards. The Board of Governors' Medical Scholarship program is administered by the Board of Governors of The University of North Carolina. The Board of Governors' Medical Scholarship Program shall be used to provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers, and an annual stipend of five thousand dollars (\$5,000) per year to students who have been accepted for admission to either Duke University School of Medicine, Brody School of Medicine at East Carolina University, the University of North Carolina at Chapel Hill School of Medicine, or the Wake Forest University School of Medicine. The Board may adopt standards, including minimum grade point average and scholastic aptitude test scores, for awarding these scholarship loans to ensure that only the most qualified students receive them. The Board shall make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. All scholarship loans shall be evidenced by notes made payable to the Board that shall bear interest at the rate of ten percent (10%) per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated by the recipient withdrawing from school or by the recipient not meeting the standards set by the Board. The Board shall forgive the loan if, within seven years after graduation, the recipient practices medicine in North Carolina for four years. The Board shall also forgive the loan if it finds that it is impossible for the recipient to practice medicine in North Carolina for four years, within seven years after graduation, because of the death or permanent disability of the recipient. All unused funds appropriated to or otherwise received by the Board for scholarships, all funds received as repayment of scholarship loans, and all interest earned on these funds, shall revert to the General Fund at the end of each fiscal year.

BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS

SECTION 9.6. The current Board of Governors' Dental Scholarship Program, under the purview of the Board of Governors of The University of North Carolina, shall make any awards to students admitted after July 1, 2007, as scholarship loan awards. The Board of Governors' Dental Scholarship Program is administered by the Board of Governors of The University of North Carolina. The Board of Governors' Dental Scholarship Program shall be used to provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers for first-year students, required dental equipment, and an annual stipend of five thousand dollars (\$5,000) per year to students who have been accepted for admission to the School of Dentistry at the University of North Carolina at Chapel Hill. The Board may adopt standards, including minimum grade point average and scholastic aptitude test scores, for awarding these scholarship loans to ensure that only the most qualified students receive them. The Board shall make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. All scholarship loans shall be evidenced by notes made payable to the Board that shall bear interest at the rate of ten percent (10%) per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The scholarship loan may be terminated by the recipient withdrawing from school or by the recipient not meeting the standards set by the Board. The Board shall forgive the loan if, within seven years after graduation, the recipient practices medicine in North Carolina for four years. The Board shall also forgive the loan if it finds that it is impossible for the recipient to practice medicine in North Carolina for four years, within seven years after graduation, because of the death or permanent disability of the recipient. All unused funds appropriated to or otherwise received by the Board for

1 scholarships, all funds received as repayment of scholarship loans, and all interest
2 earned on these funds, shall revert to the General Fund at the end of each fiscal year.

3 4 **UNC-NCCCS 2+2 E-LEARNING INITIATIVE**

5 **SECTION 9.7.** The University of North Carolina and Community Colleges
6 System Office shall report by September 1, 2007, and annually thereafter, to the Joint
7 Legislative Education Oversight Committee, the Office of State Budget and
8 Management, and the Fiscal Research Division of the General Assembly on the
9 implementation of the UNC-NCCCS 2+2 E-Learning Initiative. This report shall
10 include:

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

28 29 **MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012** 30 **UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS**

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

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

44 45 **MANAGEMENT FLEXIBILITY CARRYFORWARD OF 2.5% OF A SPECIAL** 46 **RESPONSIBILITY CONSTITUENT INSTITUTION OF THE UNIVERSITY** 47 **OF NORTH CAROLINA'S AUTHORIZED BUDGET MAY BE USED FOR** 48 **ONETIME CAPITAL PROJECTS**

49 **SECTION 9.9.** G.S. 116-30.3 reads as rewritten:

50 **"§ 116-30.3. Reversions.**

51 (a) Of the General Fund current operations appropriations credit balance
52 remaining at the end of each fiscal year in each budget code of a special responsibility
53 constituent institution, except for the budget code of the Area Health Education Centers
54 of the University of North Carolina at Chapel Hill, any amount of the General Fund
55 appropriation for that fiscal year may be carried forward by the institution to the next

1 fiscal year and is appropriated for one-time ~~expenditures~~ expenditures, to include
2 nonrecurring funds to capital projects, that will not impose additional financial
3 obligations on the State. Of the General Fund current operations appropriations credit
4 balance remaining in the budget code of the Area Health Education Centers of the
5 University of North Carolina at Chapel Hill, any amount of the General Fund
6 appropriation for that fiscal year may be carried forward in that budget code to the next
7 fiscal year and is appropriated for one-time ~~expenditures~~ expenditures, to include
8 nonrecurring funds to capital projects, that will not impose additional financial
9 obligations on the State. However, the amount carried forward under this section shall
10 not exceed two and one-half percent (2 1/2%) of the General Fund appropriation. The
11 Director of the Budget, under the authority set forth in G.S. 143C-6-2 shall establish the
12 General Fund current operations credit balance remaining in each budget code of each
13 institution. All capital projects, within the scope of this section that are new projects,
14 less than three hundred thousand dollars (\$300,000) may be established with the
15 permission of the Director of the Budget. If these capital projects are new projects
16 greater than three hundred thousand dollars (\$300,000), they may only be established
17 after consultation with the Joint Legislative Commission on Governmental Operations
18 and permission from the Director of the Budget. The Director of the Budget may
19 authorize the use of management flexibility carryforward funds to increase the cost of
20 an existing capital project on a one time basis only.

21 (b) Repealed by Session Laws 1998-212, s. 11(b).

22 (c) Repealed by Session Laws 1998-212, s. 11(a).

23 (d) Repealed by Session Laws 1998-212, s. 11(b).

24 (e) Notwithstanding G.S. 143C-1-2 of the General Fund current operations
25 appropriations credit balance remaining in Budget Code 16010 of the Office of General
26 Administration of The University of North Carolina, any amount of the General Fund
27 appropriation for that fiscal year may be carried forward in that budget code to the next
28 fiscal year and is appropriated for one-time ~~expenditures~~ expenditures, to include
29 nonrecurring funds to capital projects, that will not impose additional financial
30 obligations on the State. However, the amount carried forward under this subsection
31 shall not exceed two and one-half percent (2 1/2%) of the General Fund appropriation.
32 The Director of the Budget, under the authority set forth in G.S. 143C-6-2, shall
33 establish the General Fund current operations credit balance remaining in Budget Code
34 16010 of the Office of General Administration of The University of North Carolina. The
35 funds shall not be used to support positions. All capital projects, within the scope of this
36 section that are new projects, less than three hundred thousand dollars (\$300,000) may
37 be established with the permission of the Director of the Budget. If these capital projects
38 are new projects greater than three hundred thousand dollars (\$300,000), they may only
39 be established after consultation with the Joint Legislative Commission on
40 Governmental Operations and permission from the Director of the Budget. The Director
41 of the Budget may authorize the use of management flexibility carryforward funds to
42 increase the cost of an existing capital project on a one time basis only."

44 **GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING** 45 **FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM**

46 **SECTION 9.10.(a)** G.S. 90-171.95(b) is amended to add the following
47 subdivision:

48 "(3) A scholarship loan for up to two years in the amount of fifteen
49 thousand dollars (\$15,000) per year, per recipient, to current nursing
50 faculty in the North Carolina Community College System enrolled in a
51 masters degree program in nursing education."

52 **SECTION 9.10.(b)** Of the funds appropriated in this act for Graduate Nurse
53 Scholarship Loans for full-time nursing faculty, current community college nursing
54 faculty should receive preference for 25 scholarships in 2007-2008 and 50 scholarships
55 in 2008-2009.

1 **SECTION 9.10.(c)** From funds appropriated in this act for Graduate Nurse
2 Scholarship Loans, the North Carolina Nursing Scholars Commission shall grant
3 stipends of up to fifteen thousand dollars (\$15,000) per year, per recipient, to current
4 nursing faculty in the North Carolina Community College System who have received a
5 Graduate Nurse Scholarship Loan. This stipend shall be prorated based on a student's
6 enrollment. If a recipient continues to teach at a North Carolina community college
7 while enrolled, the total salary and stipend shall not exceed forty-four thousand six
8 hundred seventy-two dollars (\$44,672).

9
10 **ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA**
11 **SCHOLARS FUND (EARN)**

12 **SECTION 9.11.(a)** Article 23 of Chapter 116 of the General Statutes is
13 amended by adding the following new section:

14 **"§ 116-209.26. Education Access Rewards North Carolina Scholars Fund.**

15 (a) There is established the Education Access Rewards North Carolina Scholars
16 Fund. The purpose of the Fund is to provide grants to certain eligible students to enable
17 them to obtain an education beyond the high school level at certain postsecondary
18 institutions in North Carolina without incurring student loans to meet their financial
19 need during the first two years of their postsecondary education. It is the intent of the
20 General Assembly that the postsecondary institutions enrolling eligible students who
21 receive the grants will, to the extent practicable, assist the students in securing part-time
22 employment to help them gain experience in the workforce and earn money to defray
23 some of the cost of their education. The State Education Assistance Authority (SEAA)
24 shall administer the Fund.

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

- 27 (1) The student must qualify as a legal resident of North Carolina and as a
28 resident for tuition purposes in accordance with G.S. 116-143.1.
29 (2) Within seven months of the fiscal year in which the grant is to be
30 disbursed, the student must have:
31 a. Graduated from a North Carolina high school;
32 b. Received a General Education Development (GED) Certificate
33 from a North Carolina institution; or
34 c. Completed a high school education in a home school setting
35 meeting the qualifications and requirements under
36 G.S. 115C-564.
37 (3) The student must meet enrollment standards by being admitted,
38 enrolled, and classified as an undergraduate student in a matriculated
39 status on a full-time basis at an eligible postsecondary institution in
40 North Carolina.
41 (4) The student must be an eligible dependent student. For purposes of this
42 subsection, an "eligible dependent student" is a student who:
43 a. Either is classified as dependent for the Title IV programs or is
44 a ward or dependent of the court; and
45 b. Demonstrates total family income not exceeding two hundred
46 percent (200%) of the applicable federal poverty guideline,
47 according to standards set by the SEAA and measured using
48 data elements available to the SEAA from the Free Application
49 for Federal Student Aid (FAFSA) or such other source as the
50 SEAA may deem appropriate.
51 (5) The student must meet all other eligibility requirements for the federal
52 Pell Grant.
53 (6) In order to retain eligibility for a grant for the student's second
54 academic year, the student must meet achievement standards by
55 maintaining satisfactory academic progress in a course of study in

1 accordance with the standards and practices used for Title IV programs
2 by the eligible postsecondary institution in which the student is
3 enrolled.

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

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

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

16 (d) The following definitions apply to this section:

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

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

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

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

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

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

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

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

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

37 **SECTION 9.11.(b)** Of the funds appropriated to the SEAA for the
38 2007-2009 biennium, the sum of fifty million dollars (\$50,000,000) for the 2007-2008
39 fiscal year and the sum of one hundred million dollars (\$100,000,000) shall be used to
40 implement this act. Notwithstanding the foregoing, no grant shall be disbursed to an
41 eligible student before July 1, 2008.

42 **PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

43 **DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES**

44 **SECTION 10.1.** Subject to rules adopted by the State Controller, an
45 employee of the Department of Health and Human Services may authorize, in writing,
46 the periodic deduction from the employee's salary or wages paid for employment by the
47 State, a designated lump sum to be paid to satisfy the cost of services received for child
48 care provided by the Department.

49 **PHYSICIAN SERVICES**

50 **SECTION 10.2.** With the approval of the Office of State Budget and
51 Management, the Department of Health and Human Services may use funds
52 appropriated in this act for across-the-board salary increases and performance pay to
53 54
54 55

1 offset similar increases in the costs of contracting with private and independent
2 universities for the provision of physician services to clients in facilities operated by the
3 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
4 This offsetting shall be done in the same manner as is currently done with the
5 constituent institutions of The University of North Carolina.
6

7 **LIABILITY INSURANCE**

8 **SECTION 10.3.(a)** The Secretary of the Department of Health and Human
9 Services, the Secretary of the Department of Environment and Natural Resources, and
10 the Secretary of the Department of Correction may provide medical liability coverage
11 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
12 the Departments licensed to practice medicine or dentistry, on behalf of all licensed
13 physicians who are faculty members of The University of North Carolina who work on
14 contract for the Division of Mental Health, Developmental Disabilities, and Substance
15 Abuse Services for incidents that occur in Division programs, and on behalf of
16 physicians in all residency training programs from The University of North Carolina
17 who are in training at institutions operated by the Department of Health and Human
18 Services. This coverage may include commercial insurance or self-insurance and shall
19 cover these individuals for their acts or omissions only while they are engaged in
20 providing medical and dental services pursuant to their State employment or training.

21 **SECTION 10.3.(b)** The coverage provided under this section shall not cover
22 any individual for any act or omission that the individual knows or reasonably should
23 know constitutes a violation of the applicable criminal laws of any state or the United
24 States or that arises out of any sexual, fraudulent, criminal, or malicious act or out of
25 any act amounting to willful or wanton negligence.

26 **SECTION 10.3.(c)** The coverage provided pursuant to this section shall not
27 require any additional appropriations and shall not apply to any individual providing
28 contractual service to the Department of Health and Human Services, the Department of
29 Environment and Natural Resources, or the Department of Correction, with the
30 exception that coverage may include physicians in all residency training programs from
31 The University of North Carolina who are in training at institutions operated by the
32 Department of Health and Human Services and licensed physicians who are faculty
33 members of The University of North Carolina who work for the Division of Mental
34 Health, Developmental Disabilities, and Substance Abuse Services.
35

36 **NON-MEDICAID REIMBURSEMENT CHANGES**

37 **SECTION 10.4.** Providers of medical services under the various State
38 programs, other than Medicaid, offering medical care to citizens of the State shall be
39 reimbursed at rates no more than those under the North Carolina Medical Assistance
40 Program. When the Medical Assistance Program's per diem rates for inpatient services
41 and its interim rates for outpatient services are used to reimburse providers in
42 non-Medicaid medical service programs, retroactive adjustments to claims already paid
43 shall not be required.

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

52 The income eligibility level for the following Department of Health and
53 Human Service programs shall be up to two hundred percent (200%) of the federal
54 poverty guidelines, as reviewed annually by the United States Department of Health and
55 Human Services and in effect on July 1 of each fiscal year: The Medical Eye Care

1 Program administered by the Division of Services for the Blind, the Vocational
 2 Rehabilitation programs administered by the Division of Vocational Rehabilitation
 3 Services and Division of Services for the Blind, the Independent Living Rehabilitation
 4 Programs administered by the Divisions of Vocational Rehabilitation Services and
 5 Division of Services for the Blind, and the Assistive Technology Program administered
 6 by the Division of Rehabilitation Services.

7 Maximum net family annual income eligibility standards for services in other
 8 programs shall be as follows:

<u>Family Size</u>	<u>Other</u>
1	\$4,200
2	5,300
3	6,400
4	7,500
5	7,900
6	8,300
7	8,800
8	9,300

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

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

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

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

39
 40 **SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE**

41 **SECTION 10.5.(a)** School-Based Child and Family Team Initiative
 42 established. –

- 43 (1) Purpose and duties. – There is established the School-Based Child and
 44 Family Team Initiative. The purpose of the Initiative is to identify and
 45 coordinate appropriate community services and supports for children
 46 at risk of school failure or out-of-home placement in order to address
 47 the physical, social, legal, emotional, and developmental factors that
 48 affect academic performance. The Department of Health and Human
 49 Services, the Department of Public Instruction, the State Board of
 50 Education, the Department of Juvenile Justice and Delinquency
 51 Prevention, the Administrative Office of the Courts, and other State
 52 agencies that provide services for children shall share responsibility
 53 and accountability to improve outcomes for these children and their
 54 families. The Initiative shall be based on the following principles:

- 1 a. The development of a strong infrastructure of interagency
2 collaboration;
- 3 b. One child, one team, one plan;
- 4 c. Individualized strengths-based care;
- 5 d. Accountability;
- 6 e. Cultural competence;
- 7 f. Children at risk of school failure or out-of-home placement may
8 enter the system through any participating agency;
- 9 g. Services shall be specified, delivered, and monitored through a
10 unified Child and Family Plan that is outcome-oriented and
11 evaluation-based;
- 12 h. Services shall be the most efficient in terms of cost and
13 effectiveness and shall be delivered in the most natural settings
14 possible;
- 15 i. Out-of-home placements for children shall be a last resort and
16 shall include concrete plans to bring the children back to a
17 stable, permanent home, their schools, and their community;
18 and
- 19 j. Families and consumers shall be involved in decision making
20 throughout service planning, delivery, and monitoring.
- 21 (2) Program goals and services. – In order to ensure that children
22 receiving services are appropriately served, the affected State and local
23 agencies shall:
 - 24 a. Increase capacity in the school setting to address the academic,
25 health, mental health, social, and legal needs of children.
 - 26 b. Ensure that children receiving services are screened initially to
27 identify needs and assessed periodically to determine progress
28 and sustained improvement in educational, health, safety,
29 behavioral, and social outcomes.
 - 30 c. Develop uniform screening mechanisms and a set of outcomes
31 that are shared across affected agencies to measure children's
32 progress in home, school, and community settings.
 - 33 d. Promote practices that are known to be effective based upon
34 research or national best practice standards.
 - 35 e. Review services provided across affected State agencies to
36 ensure that children's needs are met.
 - 37 f. Eliminate cost shifting and facilitate cost-sharing among
38 governmental agencies with respect to service development,
39 service delivery, and monitoring for participating children and
40 their families.
 - 41 g. Participate in a local memorandum of agreement signed
42 annually by the participating superintendent of the local LEA,
43 directors of the county departments of social services and
44 health, director of the local management entity, the chief district
45 court judge, and the chief district court counselor.
- 46 (3) Local level responsibilities. – In coordination with the North Carolina
47 Child and Family Leadership Council (Council), the local board of
48 education shall establish the School-Based Child and Family Team
49 Initiative (Initiative) at designated schools and shall appoint the Child
50 and Family Team Leaders who shall be a school nurse and a school
51 social worker. Each local management entity that has any selected
52 schools in its catchment area shall appoint a Care Coordinator, and any
53 department of social services that has a selected school in its
54 catchment area shall appoint a Child and Family Team Facilitator. The
55 Care Coordinators and Child and Family Team Facilitators shall have

1 as their sole responsibility working with the selected schools in their
 2 catchment areas and shall provide training to school-based personnel,
 3 as required. The Child and Family Team Leaders shall identify and
 4 screen children who are potentially at risk of academic failure or
 5 out-of-home placement due to physical, social, legal, emotional, or
 6 developmental factors. Based on the screening results, responsibility
 7 for developing, convening, and implementing the Child and Family
 8 Team Initiative is as follows:

- 9 a. School personnel shall take the lead role for those children and
 10 their families whose primary unmet needs are related to
 11 academic achievement.
- 12 b. The local management entity shall take the lead role for those
 13 children and their families whose primary unmet needs are
 14 related to mental health, substance abuse, or developmental
 15 disabilities and who meet the criteria for the target population
 16 established by the Division of Mental Health, Developmental
 17 Disabilities, and Substance Abuse Services.
- 18 c. The local department of public health shall take the lead role for
 19 those children and their families whose primary unmet needs
 20 are health-related.
- 21 d. Local departments of social services shall take the lead for
 22 those children and their families whose primary unmet needs
 23 are related to child welfare, abuse, or neglect.
- 24 e. The chief district court counselor shall take the lead for those
 25 children and their families whose primary unmet needs are
 26 related to juvenile justice issues.

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

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

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

50 (5) Local advisory committee. – In each county with a participating
 51 school, the superintendent of the local LEA shall either identify an
 52 existing cross agency collaborative or council, or shall form a new
 53 group, to serve as a local advisory committee to work with the
 54 Initiative. Newly formed committees shall be chaired by the
 55 superintendent and one other member of the committee to be elected

1 by the committee. The local advisory committee shall include the
2 directors of the county departments of social services and health, the
3 directors of the local management entity, the chief district court judge,
4 the chief district court counselor, and representatives of other agencies
5 providing services to children, as designated by the Committee. The
6 members of the Committee shall meet as needed to monitor and
7 support the successful implementation of the School-Based Child and
8 Family Team Initiative.

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

12 **SECTION 10.5.(b)** North Carolina Child and Family Leadership Council. –

13 (1) Leadership Council established; location. – There is established the
14 North Carolina Child and Family Leadership Council (Council). The
15 Council shall be located within the Department of Administration for
16 organizational and budgetary purposes.

17 (2) Purpose. – The purpose of the Council is to review and advise the
18 Governor in the development of the School-Based Child and Family
19 Team Initiative and to ensure the active participation and collaboration
20 in the Initiative by all State agencies and their local counterparts
21 providing services to children in participating counties in order to
22 increase the academic success and reduce out-of-home and
23 out-of-county placements of children at risk of academic failure.

24 (3) Membership. – The Superintendent of Public Instruction and the
25 Secretary of Health and Human Services shall serve as cochairs of the
26 Council. Council membership shall include the Secretary of the
27 Department of Juvenile Justice and Delinquency Prevention, the
28 Chairman of the State Board of Education, the Director of the
29 Administrative Office of the Courts, and other members as appointed
30 by the Governor.

31 (4) The Council shall:

32 a. Sign an annual memorandum of agreement (MOA) among the
33 named State agencies to define the purposes of the program and
34 to ensure that program goals are accomplished.

35 b. Resolve State policy issues, as identified at the local level,
36 which interfere with effective implementation of the
37 School-Based Child and Family Team Initiative.

38 c. Direct the integration of resources, as needed, to meet goals and
39 ensure that the Initiative promotes the most effective and
40 efficient use of resources and eliminates duplication of effort.

41 d. Establish criteria for defining success in local programs and
42 ensure appropriate outcomes.

43 e. Develop an evaluation process, based on expected outcomes, to
44 ensure the goals and objectives of this Initiative are achieved.

45 f. Review progress made on integrating policies and resources
46 across State agencies, reaching expected outcomes, and
47 accomplishing other goals.

48 g. Report semiannually, on January 1 and July 1, on progress
49 made and goals achieved to the Office of the Governor, the
50 Joint Appropriations Committees and Subcommittees on
51 Education, Justice and Public Safety, and Health and Human
52 Services, and the Fiscal Research Division of the Legislative
53 Services Office.

1 The Council may designate existing cross agency collaboratives or
2 councils as working groups or to provide assistance in accomplishing
3 established goals.

4 **SECTION 10.5.(c)** Department of Health and Human Services. – The
5 Secretary of the Department of Health and Human Services shall ensure that all
6 agencies within the Department collaborate in the development and implementation of
7 the School-Based Child and Family Team Initiative and provide all required support to
8 ensure that the Initiative is successful.

9 **SECTION 10.5.(d)** Department of Juvenile Justice and Delinquency
10 Prevention. – The Secretary of the Department of Juvenile Justice and Delinquency
11 Prevention shall ensure that all agencies within the Department collaborate in the
12 development and implementation of the School-Based Child and Family Team Initiative
13 and provide all required support to ensure that the Initiative is successful.

14 **SECTION 10.5.(e)** Administrative Office of the Courts. – The Director of
15 the Administrative Office of the Courts shall ensure that the Office collaborates in the
16 development and implementation of the School-Based Child and Family Team Initiative
17 and shall provide all required support to ensure that the Initiative is successful.

18 **SECTION 10.5.(f)** Department of Public Instruction. – The Superintendent
19 of Public Instruction shall ensure that the Department collaborates in the development
20 and implementation of the School-Based Child and Family Team Initiative and shall
21 provide all required support to ensure that the Initiative is successful.

22 23 **FUNDS FOR SCHOOL NURSES**

24 **SECTION 10.6.(a)** Of the funds appropriated to the Department of Health
25 and Human Services for school nurses, there shall be no supplanting of local, State, or
26 federal funds. Communities shall maintain their current level of effort and funding for
27 school nurses. These funds shall not be used for funding nurses for State agencies. All
28 funding shall be used for direct services.

29 **SECTION 10.6.(b)** All school nurses funded with State funds shall
30 participate, as needed, in child and family teams.

31 32 **COMPREHENSIVE TREATMENT SERVICES PROGRAM**

33 **SECTION 10.7.(a)** The Department of Health and Human Services shall
34 continue the Comprehensive Treatment Services Program for children at risk for
35 institutionalization or other out-of-home placement. The Program shall be implemented
36 by the Department in consultation with the Department of Juvenile Justice and
37 Delinquency Prevention, the Department of Public Instruction, and other affected State
38 agencies. The purpose of the Program is to provide appropriate and medically necessary
39 residential and nonresidential treatment alternatives for children at risk of
40 institutionalization or other out-of-home placement. Program funds shall be targeted for
41 non-Medicaid eligible children. Program funds may also be used to expand a
42 system-of-care approach for services to children and their families statewide. The
43 program shall include the following:

- 44 (1) Behavioral health screening for all children at risk of
45 institutionalization or other out-of-home placement.
- 46 (2) Appropriate and medically necessary residential and nonresidential
47 services for deaf children.
- 48 (3) Appropriate and medically necessary residential and nonresidential
49 treatment services, including placements for sexually aggressive youth.
- 50 (4) Appropriate and medically necessary residential and nonresidential
51 treatment services, including placements for youth needing substance
52 abuse treatment services and children with serious emotional
53 disturbances.
- 54 (5) Multidisciplinary case management services, as needed.

- 1 (6) A system of utilization review specific to the nature and design of the
2 Program.
- 3 (7) Mechanisms to ensure that children are not placed in department of
4 social services custody for the purpose of obtaining mental health
5 residential treatment services.
- 6 (8) Mechanisms to maximize current State and local funds and to expand
7 use of Medicaid funds to accomplish the intent of this Program.
- 8 (9) Other appropriate components to accomplish the Program's purpose.
- 9 (10) The Secretary of the Department of Health and Human Services may
10 enter into contracts with residential service providers.
- 11 (11) A system of identifying and tracking children placed outside of the
12 family unit in group homes, therapeutic foster care home settings, and
13 other out-of-home placements.

14 **SECTION 10.7.(b)** In order to ensure that children at risk for
15 institutionalization or other out-of-home placement are appropriately served by the
16 mental health, developmental disabilities, and substance abuse services system, the
17 Department of Health and Human Services, Division of Mental Health, Developmental
18 Disabilities, and Substance Abuse Services, shall do the following with respect to
19 services provided to these children:

- 20 (1) Provide only those treatment services that are medically necessary.
- 21 (2) Implement utilization review of services provided.
- 22 (3) Adopt the following guiding principles for the provision of services:
 - 23 a. Service delivery system must be outcome-oriented and
24 evaluation-based.
 - 25 b. Services should be delivered as close as possible to the child's
26 home.
 - 27 c. Services selected should be those that are most efficient in
28 terms of cost and effectiveness.
 - 29 d. Services should not be provided solely for the convenience of
30 the provider or the client.
 - 31 e. Families and consumers should be involved in decision making
32 throughout treatment planning and delivery.
- 33 (4) Implement all of the following cost-reduction strategies:
 - 34 a. Preauthorization for all services except emergency services.
 - 35 b. Levels of care to assist in the development of treatment plans.
 - 36 c. Clinically appropriate services.

37 **SECTION 10.7.(c)** The Department shall collaborate with other affected
38 State agencies such as the Department of Juvenile Justice and Delinquency Prevention,
39 the Department of Public Instruction, the Administrative Office of the Courts, and with
40 local departments of social services, area mental health programs, and local education
41 agencies to eliminate cost shifting and facilitate cost-sharing among these governmental
42 agencies with respect to the treatment and placement services.

43 **SECTION 10.7.(d)** The Department shall not allocate funds appropriated for
44 Program services until a Memorandum of Agreement has been executed between the
45 Department of Health and Human Services, the Department of Public Instruction, and
46 other affected State agencies. The Memorandum of Agreement shall address
47 specifically the roles and responsibilities of the various departmental divisions and
48 affected State agencies involved in the administration, financing, care, and placement of
49 children at risk of institutionalization or other out-of-home placement. The Department
50 shall not allocate funds appropriated in this act for the Program until the Memoranda of
51 Agreement between local departments of social services, area mental health programs,
52 local education agencies, and the Administrative Office of the Courts and the
53 Department of Juvenile Justice and Delinquency Prevention, as appropriate, are
54 executed to effectuate the purpose of the Program. The Memoranda of Agreement shall
55 address issues pertinent to local implementation of the Program, including provision for

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

3 **SECTION 10.7.(e)** Notwithstanding any other provision of law to the
4 contrary, services under the Comprehensive Treatment Services Program are not an
5 entitlement for non-Medicaid eligible children served by the Program.

6 **SECTION 10.7.(f)** Of the funds appropriated in this act for the
7 Comprehensive Treatment Services Program, the Department of Health and Human
8 Services shall establish a reserve of three percent (3%) to ensure availability of these
9 funds to address specialized needs for children with unique or highly complex
10 problems.

11 **AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS**

12 **SECTION 10.8.** LMEs shall report monthly to the Department regarding the
13 use of the funds appropriated for crisis services, whether there has been a reduction in
14 the use of State psychiatric hospitals for acute admissions, and any remaining gaps in
15 local and regional crisis services.

16 **LME ADMINISTRATIVE COSTS**

17 **SECTION 10.9.** To maximize the use of community services funds for the
18 delivery of mental health, developmental disabilities, and substance abuse services, and
19 to pursue a more efficient administration of community services envisioned in the
20 system reform initiative, the Secretary, after consultation with the N.C. Council on
21 Community Programs, shall develop a plan to meet the administrative needs of Local
22 Management Entities (LME) within the existing resources of the LME administrative
23 budget authorized by this act.

24 Prior to implementation, the Secretary shall report the plan to the chairs of the
25 House Appropriations Subcommittee on Health and Human Services, Senate
26 Appropriations Subcommittee on Health and Human Services, and the Joint Legislative
27 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
28 Abuse Services.

29 **DEVELOPMENTAL CENTER DOWNSIZING**

30 **SECTION 10.10.(a)** In accordance with the Department of Health and
31 Human Services' plan for mental health, developmental disabilities, and substance abuse
32 services system reform, the Department shall ensure that the downsizing of the State's
33 regional Developmental Centers is based upon individual needs and the availability of
34 community-based services with a targeted goal of four percent (4%) each year. The
35 Department shall implement cost-containment and reduction strategies to ensure the
36 corresponding financial and staff downsizing of each Developmental Center. The
37 Department shall manage the client population of the Developmental Centers in order to
38 ensure that placements for ICF-MR level of care shall be made into appropriate
39 community based settings. Admission to a State-operated ICF-MR facility is permitted
40 only as a last resort and only upon approval of the Department. The corresponding
41 budgets for each of the Developmental Centers shall be reduced, and positions shall be
42 eliminated as the census of each facility decreases.

43 **SECTION 10.10.(b)** The Department of Health and Human Services shall
44 apply any savings in State appropriations that result from reductions in beds or services
45 as follows:

- 46 (1) The Department shall place nonrecurring savings in the Trust Fund for
47 Mental Health, Developmental Disabilities, and Substance Abuse
48 Services and Bridge Funding Needs and use the savings to facilitate
49 the transition of clients into appropriate community-based services and
50 support in accordance with G.S. 143C-9-2;
- 51 (2) The Department of Health and Human Services, Division of Mental
52 Health, Developmental Disabilities, and Substance Abuse Services,
53
54
55

1 shall retain recurring savings realized through implementation of this
2 section to support the recurring costs of additional community-based
3 placements from Division facilities in accordance with Olmstead vs.
4 L.C. & E.W. In determining the savings in this section, savings shall
5 include all savings realized from the downsizing of the Developmental
6 Centers, including the savings in direct State appropriations in the
7 budgets of the Developmental Centers; and

- 8 (3) The Department of Health and Human Services, Division of Medical
9 Assistance, shall transfer any recurring Medicaid savings resulting
10 from the downsizing of State-operated Developmental Centers from
11 the ICF-MR line in Medicaid to the CAP-MR/DD line.
12

13 **DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY**
14 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND**
15 **SUBSTANCE ABUSE SERVICES**

16 **SECTION 10.11.** The Department of Health and Human Services, Division
17 of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall in
18 cooperation with area mental health authorities and county programs, identify and
19 eliminate administrative and fiscal barriers created by existing State and local policies
20 and procedures in the delivery of community-based mental health, developmental
21 disabilities, and substance abuse services provided through the area programs and
22 county programs, including services provided through the Comprehensive Treatment
23 Services Program for Children and services delivered to multiply diagnosed adults. The
24 Department shall implement changes in policies and procedures in order to facilitate all
25 of the following:

- 26 (1) The provision of services to adults and children as defined in the
27 Mental Health System Reform State Plan as priority or targeted
28 populations.
29 (2) The provision of services to children not deemed eligible for the
30 Comprehensive Treatment Services Program for Children, but who
31 would otherwise be in need of medically necessary treatment services
32 to prevent out-of-home placement.
33 (3) The provision of services in the community to adults remaining in and
34 being placed in State institutions addressed in Olmstead v. L.C. &
35 E.W.

36 Area mental health, developmental disabilities, and substance
37 abuse services authorities and county programs shall use all funds
38 appropriated for and necessary to provide mental health,
39 developmental disabilities, and substance abuse services to meet the
40 need for these services. If excess funds are available after expending
41 appropriated funds to fully meet service needs, one-half of these
42 excess funds shall not revert to the General Fund but shall be
43 transferred to the Trust Fund for Mental Health, Developmental
44 Disabilities, and Substance Abuse Services and Bridge Funding Needs.
45 The funds may be used to facilitate the development and
46 implementation of regional crisis facilities and local crisis services and
47 other needed community services.
48

49 **NC KIDS' CARE**

50 **SECTION 10.12.(a)** The Division of Medical Assistance, Department of
51 Health and Human Services shall develop and implement a limited benefit medical
52 assistance program, NC Kids' Care, to expand coverage to children in families with
53 incomes between two hundred percent (200%) and three hundred percent (300%) of the
54 federal poverty guidelines, as revised April 1 of each year. Except as otherwise
55 provided by this section, the Division of Medical Assistance may use the

1 recommendations of the North Carolina Institute of Medicine's Task Force on Covering
2 the Uninsured, April 2006, as the basis for developing the program, specifying covered
3 services, setting coverage limitations, and establishing cost-sharing requirements. The
4 Division shall apply for any federal waivers and submit any State plan amendments
5 required to implement this section.

6 **SECTION 10.12.(b)** The limited benefit package offered shall emphasize
7 ambulatory care, enroll beneficiaries in Community Care of North Carolina, and
8 provide incentives to participate in disease and case management services when
9 appropriate. Coverage for inpatient hospital services shall not exceed ten thousand
10 dollars (\$10,000) annually. The limited benefit package shall require enrollees to
11 contribute to the cost of their care through the use of deductibles, co-payments,
12 coinsurance, and premiums to ensure cost-effective use of health care services. The
13 Division shall establish sliding-scale premiums based on income for enrollees, provided
14 that such premiums do not exceed two percent (2%) of the individual's or four percent
15 (4%) of the family's income.

16 **SECTION 10.12.(c)** The Division shall take steps to minimize "crowd out,"
17 whereby eligible applicants terminate private or employer-sponsored health insurance
18 coverage to enroll in NC Kids' Care, and may require applicants to demonstrate that
19 they were uninsured for a specified period of time set by the Division, not to exceed six
20 months, immediately prior to enrolling.

21 **SECTION 10.12.(d)** The limited benefit package shall not provide coverage
22 for nursing home care, home health services, personal care services, or dental services.

23 **SECTION 10.12.(e)** Enrollment shall not exceed 12,100 children for each
24 year of the 2007-2009 fiscal biennium.

25 **SECTION 10.12.(f)** The nonfederal costs of NC Kids' Care shall be paid
26 with State funds and enrollee premiums. Counties shall not be required to share in the
27 nonfederal costs of this program.

28 **SECTION 10.12.(g)** The Department of Health and Human Services may
29 contract with a third party to administer this program.

30 **SECTION 10.12.(h)** Notwithstanding G.S. 143C-1-2(b), any unspent or
31 unencumbered program or administrative funds appropriated for the 2007-2008 fiscal
32 year to implement the requirements of this section may be carried forward by the
33 Department of Health and Human Services for use during the 2008-2009 fiscal year as
34 provided by this subsection. The Department may use funds carried forward under this
35 subsection to cover administrative or other costs of NC Kids' Care. Prior to
36 implementing this subsection, the Department shall demonstrate to the Office of State
37 Budget and Management that there is a reasonable expectation that any funds carried
38 forward can be spent or encumbered during the 2008-2009 fiscal year. Any funds
39 carried forward under this subsection that remain unspent or unencumbered at the end
40 of the 2008-2009 fiscal year shall revert.

41 **SECTION 10.12.(i)** This section becomes effective January 1, 2008, or upon
42 approval of all required federal waivers and State plan amendments, whichever is later.

43 44 **CODIFY LONG-STANDING MEDICAID PROVISIONS/FUNDS AND** 45 **ALLOCATIONS**

46 **SECTION 10.13.(a)** Part 6 of Article 2 of Chapter 108A of the General
47 Statutes is amended by adding a new section to read:

48 **"§ 108A-54.1A. Use of funds and allocation of costs.**

49 **(a) Use of Funds. – Funds appropriated to the Department of Health and Human**
50 **Services for services provided in accordance with Title XIX of the Social Security Act,**
51 **hereafter referred to as Medicaid, are for both the categorically needy and the medically**
52 **needy.**

53 **(b) Allocation of Nonfederal Cost of Medicaid. – Except as otherwise provided,**
54 **the State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%)**
55 **of the nonfederal costs of all applicable services listed in this section. In addition, the**

1 State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of
2 the federal Medicare Part D clawback payments under the Medicare Modernization Act
3 of 2004."

4 **SECTION 10.13.(b)** G.S. 108A-54.2 reads as rewritten:

5 "**§ 108A-54.2. Procedures for changing medical policy.** **Medical policy.**

6 (a) The Department shall develop, amend, and adopt medical coverage policy in
7 accordance with the following:

8 (1) During the development of new medical coverage policy or
9 amendment to existing medical coverage policy, consult with and seek
10 the advice of the Physician Advisory Group of the North Carolina
11 Medical Society and other organizations the Secretary deems
12 appropriate. The Secretary shall also consult with and seek the advice
13 of officials of the professional societies or associations representing
14 providers who are affected by the new medical coverage policy or
15 amendments to existing medical coverage policy.

16 (2) At least 45 days prior to the adoption of new or amended medical
17 coverage policy, the Department shall:

- 18 a. Publish the proposed new or amended medical coverage policy
19 on the Department's Web site;
20 b. Notify all Medicaid providers of the proposed, new, or amended
21 policy; and
22 c. Upon request, provide persons copies of the proposed medical
23 coverage policy.

24 (3) During the 45-day period immediately following publication of the
25 proposed new or amended medical coverage policy, accept oral and
26 written comments on the proposed new or amended policy.

27 (4) If, following the comment period, the proposed new or amended
28 medical coverage policy is modified, then the Department shall, at
29 least 15 days prior to its adoption:

- 30 a. Notify all Medicaid providers of the proposed policy;
31 b. Upon request, provide persons notice of amendments to the
32 proposed policy; and
33 c. Accept additional oral or written comments during this 15-day
34 period.

35 (b) Notwithstanding subsection (a) of this section, the Department of Health and
36 Human Services, Division of Medical Assistance, may, subject to the approval of a
37 change in the State Medicaid Plan, contract for services, medical equipment, supplies,
38 and appliances by implementation of volume purchase plans, single source
39 procurement, or other contracting processes in order to improve cost containment.

40 (c) Notwithstanding subsection (a) of this section, the Department of Health and
41 Human Services, Division of Medical Assistance, may undertake cost-containment
42 programs, including contracting for services, preadmissions to hospitals, and prior
43 approval for certain outpatient surgeries before they may be performed in an inpatient
44 setting."

45 **CODIFY LONG-STANDING MEDICAID PROVISIONS/ELIGIBILITY**

46 **SECTION 10.13A.** Article 2 of Chapter 108A of the General Statutes is
47 amended by adding a new section to read:

48 "**§ 108A-54.3. Eligibility.**

49 Eligibility for Medicaid shall be determined in accordance with the following:

50 (1) Medicaid and Work First Family Assistance

- 51 a. The maximum net family annual income eligibility standards
52 for Medicaid and Work First Family Assistance and the
53 Standard of Need for Work First Family Assistance shall be as
54 follows:
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Categorically Needy-WFFA*

Medically Needy

Family Size	Standard Of Need	Families and Children Income Level	AA,AB,AD*
1	\$4,344	\$2,172	\$2,900
2	5,664	2,832	3,900
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

Categorically Needy-WFFA*

Medically Needy

Family Size	Standard of Need and Families and Children Income Level	WFFA* Payment Level	Families and Children and AA,AB,AD* Income Level
<u>1</u>	<u>\$4,344</u>	<u>\$2,172</u>	<u>\$2,900</u>
<u>2</u>	<u>5,664</u>	<u>2,832</u>	<u>3,800</u>
<u>3</u>	<u>6,528</u>	<u>3,264</u>	<u>4,400</u>
<u>4</u>	<u>7,128</u>	<u>3,564</u>	<u>4,800</u>
<u>5</u>	<u>7,776</u>	<u>3,888</u>	<u>5,200</u>
<u>6</u>	<u>8,376</u>	<u>4,188</u>	<u>5,600</u>
<u>7</u>	<u>8,952</u>	<u>4,476</u>	<u>6,000</u>
<u>8</u>	<u>9,256</u>	<u>4,680</u>	<u>6,300</u>

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

- b. The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need. These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.
 - c. The Department of Health and Human Services shall provide Medicaid coverage to 19- and 20-year-olds in accordance with federal rules and regulations.
 - d. Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.
- (2) For the following Medicaid eligibility classifications for which the federal poverty guidelines are used as income limits for eligibility determinations, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines. The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to the following:
- a. All elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines.
 - b. Pregnant women with incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty

1 guidelines and without regard to resources. Services to pregnant
 2 women eligible under this subsection continue throughout the
 3 pregnancy but include only those related to pregnancy and to
 4 those other conditions determined by the Department as
 5 conditions that may complicate pregnancy.

6 c. Infants and children under the age of six with family incomes
 7 equal to or less than two hundred percent (200%) of the federal
 8 poverty guidelines and without regard to resources.

9 d. Children aged six through 18 with family incomes equal to or
 10 less than the federal poverty guidelines and without regard to
 11 resources.

12 e. Family planning services to men and women of childbearing
 13 age with family incomes equal to or less than one hundred
 14 eighty-five percent (185%) of the federal poverty guidelines.

15 (3) The Department of Health and Human Services, Division of Medical
 16 Assistance, shall provide Medicaid coverage to adoptive children with
 17 special or rehabilitative needs regardless of the adoptive family's
 18 income.

19 (4) The Department of Health and Human Services, Division of Medical
 20 Assistance, shall provide Medicaid coverage to "independent foster
 21 care adolescents", ages 18, 19, and 20, as defined in 42 U.S.C. §
 22 1396d(w)(1), without regard to the adolescent's assets, resources, or
 23 income levels.

24 (5) ICF and ICF/MR Work Incentive Allowances. – The Department of
 25 Health and Human Services may provide an incentive allowance to
 26 Medicaid-eligible recipients of ICF and ICF/MR services, who are
 27 regularly engaged in work activities as part of their developmental
 28 plan, and for whom retention of additional income contributes to their
 29 achievement of independence. The State funds required to match the
 30 federal funds that are required by these allowances shall be provided
 31 from savings within the Medicaid budget or from other unbudgeted
 32 funds available to the Department. The incentive allowances may be as
 33 follows:

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

39
 40 **CODIFY LONG-STANDING MEDICAID PROVISIONS/SERVICES**

41 **SECTION 10.13B.** Article 2 of Chapter 108A of the General Statutes is
 42 amended by adding a new section to read:

43 **"§ 108A-54.4. Services and payment bases.**

44 Funds appropriated for Medicaid services shall be expended in accordance with the
 45 following schedule of services and payment bases. Unless otherwise provided, services
 46 and payment bases will be as prescribed in the State Plan as established by the
 47 Department of Health and Human Services and may be changed with the approval of
 48 the Director of the Budget.

49 (1) Hospital inpatient.

50 (2) Hospital outpatient. – Eighty percent (80%) of allowable costs or a
 51 prospective reimbursement plan as established by the Department of
 52 Health and Human Services.

53 (3) Nursing facilities. – Nursing facilities providing services to Medicaid
 54 recipients who also qualify for Medicare must be enrolled in the
 55 Medicare program as a condition of participation in the Medicaid

1 program. State facilities are not subject to the requirement to enroll in
2 the Medicare program. Residents of nursing facilities who are eligible
3 for Medicare coverage of nursing facility services must be placed in a
4 Medicare-certified bed. Medicaid shall cover facility services only
5 after the appropriate services have been billed to Medicare.

6 (4) Physicians, certified nurse midwife services, nurse practitioners. – Fee
7 schedules as developed by the Department of Health and Human
8 Services.

9 (5) Community Alternative Program, EPSDT Screens. – Payments in
10 accordance with rate schedule developed by the Department of Health
11 and Human Services.

12 (6) Home health and related services, durable medical equipment. –
13 Payments according to reimbursement plans developed by the
14 Department of Health and Human Services.

15 (7) Hearing aids. – Wholesale cost plus dispensing fee to provider.

16 (8) Rural health clinical services. – Provider-based, reasonable cost;
17 non-provider-based, single-cost reimbursement rate per clinic visit.

18 (9) Family planning. – Negotiated rate for local health departments. For
19 other providers see specific services, e.g. hospitals, physicians.

20 (10) Independent laboratory and X-ray services. – Uniform fee schedules as
21 developed by the Department of Health and Human Services.

22 (11) Ambulatory surgical centers.

23 (12) Private duty nursing, clinic services, prepaid health plans.

24 (13) Intermediate care facilities for the mentally retarded.

25 (14) Chiropractors, podiatrists, optometrists, dentists.

26 (15) Limitations on dental coverage. – Dental services shall be provided on
27 a restricted basis in accordance with criteria adopted by the
28 Department to implement this subdivision.

29 (16) Medicare Buy-In. – Social Security Administration premium.

30 (17) Ambulance services. – Uniform fee schedules as developed by the
31 Department of Health and Human Services. Public ambulance
32 providers will be reimbursed at cost.

33 (18) Optical supplies. – Payment for materials is made to a contractor in
34 accordance with 42 C.F.R. § 431.54(d). Fees paid to dispensing
35 providers are negotiated fees established by the State agency based on
36 industry charges.

37 (19) Medicare crossover claims. – The Department shall apply Medicaid
38 medical policy to Medicare claims for dually eligible recipients. The
39 Department shall pay an amount up to the actual coinsurance or
40 deductible or both, in accordance with the State Plan, as approved by
41 the Department of Health and Human Services.

42 (20) Physical therapy, occupational therapy, and speech therapy. – Services
43 limited to EPSDT-eligible children. Payments are to be made only to
44 qualified providers at rates negotiated by the Department of Health and
45 Human Services. Physical therapy, occupational therapy, and speech
46 therapy services are subject to prior approval and utilization review.

47 (21) Personal care services.

48 (22) Case management services. – Reimbursement in accordance with the
49 availability of funds to be transferred within the Department of Health
50 and Human Services.

51 (23) Hospice.

52 (24) Medically necessary prosthetics or orthotics. – In order to be eligible
53 for reimbursement, providers must be licensed or certified by the
54 occupational licensing board or the certification authority having
55 authority over the provider's license or certification. Medically

1 necessary prosthetics and orthotics are subject to prior approval and
2 utilization review.

3 (25) Health insurance premiums.

4 (26) Medical care/other remedial care. – Services not covered elsewhere in
5 this section include related services in schools; health professional
6 services provided outside the clinic setting to meet maternal and infant
7 health goals; and services to meet federal EPSDT mandates.

8 (27) Pregnancy-related services. – Covered services for pregnant women
9 shall include nutritional counseling, psychosocial counseling, and
10 predelivery and postpartum home visits by maternity care coordinators
11 and public health nurses.

12 (28) Drugs. – Reimbursements. Reimbursements shall be available for
13 prescription drugs as allowed by federal regulations plus a professional
14 services fee per month, excluding refills for the same drug or generic
15 equivalent during the same month. Payments for drugs are subject to
16 the provisions of this subdivision or in accordance with the State Plan
17 adopted by the Department of Health and Human Services, consistent
18 with federal reimbursement regulations. Payment of the professional
19 services fee shall be made in accordance with the State Plan adopted
20 by the Department of Health and Human Services, consistent with
21 federal reimbursement regulations. The professional services fee shall
22 be five dollars and sixty cents (\$5.60) per prescription for generic
23 drugs and four dollars (\$4.00) per prescription for brand-name drugs.
24 Adjustments to the professional services fee shall be established by the
25 General Assembly. In addition to the professional services fee, the
26 Department may pay an enhanced fee for pharmacy services.

27 Limitations on quantity. – The Department of Health and Human
28 Services may establish authorizations, limitations, and reviews for
29 specific drugs, drug classes, brands, or quantities in order to manage
30 effectively the Medicaid pharmacy program, except that the
31 Department shall not impose limitations on brand-name medications
32 for which there is a generic equivalent in cases where the prescriber
33 has determined, at the time the drug is prescribed, that the brand-name
34 drug is medically necessary and has written on the prescription order
35 the phrase "medically necessary".

36 Dispensing of generic drugs. – Notwithstanding G.S. 90-85.27
37 through G.S. 90-85.31, or any other law to the contrary, under the
38 Medical Assistance Program (Title XIX of the Social Security Act),
39 and except as otherwise provided in this subsection for atypical
40 antipsychotic drugs and drugs listed in the narrow therapeutic index, a
41 prescription order for a drug designated by a trade or brand name shall
42 be considered to be an order for the drug by its established or generic
43 name, except when the prescriber has determined, at the time the drug
44 is prescribed, that the brand-name drug is medically necessary and has
45 written on the prescription order the phrase "medically necessary". An
46 initial prescription order for an atypical antipsychotic drug or a drug
47 listed in the narrow therapeutic drug index that does not contain the
48 phrase "medically necessary" shall be considered an order for the drug
49 by its established or generic name, except that a pharmacy shall not
50 substitute a generic or established name prescription drug for
51 subsequent brand or trade name prescription orders of the same
52 prescription drug without explicit oral or written approval of the
53 prescriber given at the time the order is filled. Generic drugs shall be
54 dispensed at a lower cost to the Medical Assistance Program rather
55 than trade or brand-name drugs. As used in this subsection, "brand

1 name" means the proprietary name the manufacturer places upon a
2 drug product or on its container, label, or wrapping at the time of
3 packaging; and "established name" has the same meaning as in section
4 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended,
5 21 U.S.C. § 352(e)(3).

6 Prior authorization. – The Department of Health and Human
7 Services shall not impose prior authorization requirements or other
8 restrictions under the State Medical Assistance Program on
9 medications prescribed for Medicaid recipients for the treatment of: (i)
10 mental illness, including, but not limited to, medications for
11 schizophrenia, bipolar disorder, and major depressive disorder, or (ii)
12 HIV/AIDS.

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

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

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

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

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

46 c. For Medicaid-eligible adults, services provided by licensed or
47 certified psychologists, licensed clinical social workers,
48 certified clinical nurse specialists in psychiatric mental health
49 advanced practice, and nurse practitioners certified as clinical
50 nurse specialists in psychiatric mental health advanced practice,
51 licensed psychological associates, licensed professional
52 counselors, licensed marriage and family therapists, licensed
53 clinical addictions specialists, and licensed clinical supervisors.
54 Medicaid-eligible adults may be self-referred.

- 1 d. Payments made for services rendered in accordance with this
2 subdivision shall be to qualified providers in accordance with
3 approved policies and the State Plan. Nothing in
4 sub-subdivision b. or c. of this subdivision shall be interpreted
5 to modify the scope of practice of any service provider,
6 practitioner, or licensee, nor to modify or attenuate any
7 collaboration or supervision requirement related to the
8 professional activities of any service provider, practitioner, or
9 licensee. Nothing in sub-subdivision b. or c. of this subdivision
10 shall be interpreted to require any private health insurer or
11 health plan to make direct third-party reimbursements or
12 payments to any service provider, practitioner, or licensee.
13 e. Notwithstanding G.S. 150B-21.1(a), the Department of Health
14 and Human Services may adopt temporary rules in accordance
15 with Chapter 150B of the General Statutes further defining the
16 qualifications of providers and referral procedures in order to
17 implement this subdivision. Coverage policy for services
18 defined by the Division of Mental Health, Developmental
19 Disabilities, and Substance Abuse Services under
20 sub-subdivisions a. and b.2 of this subdivision shall be
21 established by the Division of Medical Assistance."
22

23 **CODIFY LONG-STANDING MEDICAID PROVISIONS/PROVIDERS**

24 **SECTION 10.13C** Article 2 of Chapter 108A of the General Statutes is
25 amended by adding a new section to read:

26 **"§ 108A-54.5. Provider payments and visits.**

27 (a) Payment is limited to Medicaid-enrolled providers that purchase a
28 performance bond in an amount not to exceed one hundred thousand dollars (\$100,000)
29 naming as beneficiary the Department of Health and Human Services, Division of
30 Medical Assistance, or provide to the Department a validly executed letter of credit or
31 other financial instrument issued by a financial institution or agency honoring a demand
32 for payment in an equivalent amount. The Department may waive or limit the
33 requirements of this paragraph for one or more classes of Medicaid-enrolled providers
34 based on the provider's dollar amount of monthly billings to Medicaid or the length of
35 time the provider has been licensed in this State to provide services. In waiving or
36 limiting requirements of this paragraph, the Department shall take into consideration the
37 potential fiscal impact of the waiver or limitation on the State Medicaid Program. The
38 Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary
39 to implement this provision.

40 (b) Reimbursement is available for up to 30 visits per recipient per year to the
41 following services: hospital outpatient providers, physicians, nurse practitioners, nurse
42 midwives, clinics, health departments, optometrists, chiropractors, and podiatrists. The
43 Department of Health and Human Services shall adopt medical policies, in accordance
44 with Section 108A-54.2 of this Part, to distribute the allowable number of visits for each
45 service or each group of services consistent with federal law. In addition, a threshold of
46 some number of visits shall be established by the department for these services. Primary
47 care providers and/or the appropriate CCNC network shall be notified when a patient is
48 nearing the established threshold to facilitate care coordination and intervention as
49 needed.

50 Prenatal services, all EPSDT children, emergency room services, and mental health
51 services subject to independent utilization review are exempt from the visit limitations
52 contained in this paragraph. Exceptions may be authorized by the Department of Health
53 and Human Services where the life of the patient would be threatened without such
54 additional care."
55

CODIFY LONG-STANDING MEDICAID PROVISIONS/EXCEPTIONS

SECTION 10.13D. Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-54.6. Exceptions, limitations, authorization and co-payments.

(a) Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient.

(b) The Department of Health and Human Services may establish co-payments up to the maximum permitted by federal law and regulation."

CODIFY LONG-STANDING MEDICAID PROVISIONS/RULES/REPORTS

SECTION 10.13E. Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"§ 108A-54.7. Rules, reports, and other matters.

(a) Rules. – The Department of Health and Human Services may adopt temporary or emergency rules according to the procedures established in G.S. 150B-21.1 and G.S. 150B-21.1A when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary or emergency rules with the Rules Review Commission and the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary or emergency rule and its effect on State appropriations and local governments.

(b) Changes to Medicaid Program; Reports. – The Department shall report on any change it anticipates making in the Medicaid program that impacts the type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services (CMS). The reports shall be provided at the same time they are submitted to CMS for approval. The reports shall be submitted to the House of Representatives Appropriations Subcommittee for Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Joint Legislative Health Care Oversight Committee, and the Fiscal Research Division of the Legislative Services Office."

RECODIFY MEDICAID BUY-IN/CHANGE EFFECTIVE DATE

SECTION 10.13F.(a) The Revisor of Statutes shall recodify G.S. 108A-54.1 as G.S. 108A-54.8.

SECTION 10.13F.(b) Section 10.18(c) of S.L. 2005-276 reads as rewritten:

"SECTION 10.18.(c) Subsection (b) of this section becomes effective July 1, 2006. Subsection (a) of this section becomes effective ~~January 1, 2007, or within 30 days after the date on which the MMIS becomes operational, as determined by the Department of Health and Human Services, whichever occurs later. Client enrollment shall begin not later than six months from the date subsection (a) becomes effective. 12 months after the Medicaid Management Information System or its replacement becomes operational and stabilized.~~ The remainder of this section is effective when it becomes law."

PROPOSED CHANGES TO MEDICAL POLICY

SECTION 10.14. Unless required for compliance with federal law, the Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review.

1 If the fiscal impact indicated by the fiscal analysis for any proposed medical policy
2 change exceeds three million dollars (\$3,000,000) in total requirements for a given
3 fiscal year, then the Department shall submit the proposed policy change with the fiscal
4 analysis to the Office of State Budget and Management and the Fiscal Research
5 Division. The Department shall not implement any proposed medical policy change
6 exceeding three million dollars (\$3,000,000) in total requirements for a given fiscal year
7 unless the source of State funding is identified and approved by the Office of State
8 Budget and Management. The Department shall provide the Office of State Budget and
9 Management and the Fiscal Research Division a quarterly report itemizing all medical
10 policy changes with total requirements of less than three million dollars (\$3,000,000).
11

12 **CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE**
13 **QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID**
14 **RECIPIENTS**

15 **SECTION 10.15.** The Department of Health and Human Services shall
16 continue its efforts to expand the scope of the Community Care of NC care management
17 model to recipients of Medicaid and dually eligible individuals with a chronic condition
18 and long-term care needs. In expanding the scope, the department shall focus on the
19 Aged, Blind, and Disabled, and CAP-DA populations for improvement in management,
20 cost-effectiveness, and local coordination of services through Community Care of NC
21 and in collaboration with local providers of care. The Department shall target personal
22 care services, private duty nursing, home health, durable medical equipment, ancillary
23 professional services, specialty care, residential services, including skilled nursing
24 facilities, home infusion therapy, pharmacy, and other services determined
25 target-worthy by the department. The department shall pilot communitywide initiatives
26 and shall expand statewide successful models. The initiatives may include one or more
27 pilot projects to control costs and improve quality of care for the aged, blind, and
28 disabled recipients of Medicaid. Pilot projects or the expansion of pilot projects shall be
29 approved by the Office of State Budget and Management prior to implementation.
30

31 **IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT**
32 **PROGRAM**

33 **SECTION 10.16.** The Department of Health and Human Services, Division
34 of Medical Assistance, shall implement an Electronic Quality Prescription Management
35 program for prescription drugs through the use of personal data assistance (PDA)
36 technology. The division may designate CCNC through the Office of Rural Health and
37 Community Care as the lead program to implement this section. Notwithstanding
38 G.S. 143C-6-4(b), the division may transfer cost-containment funds, in accordance with
39 Section 10.17 of this act to the Office of Rural Health and Community Care to purchase
40 PDAs, connectivity, software, and other related costs.
41

42 **MEDICAID COST-CONTAINMENT ACTIVITIES**

43 **SECTION 10.17.** The Department of Health and Human Services may use
44 not more than five million dollars (\$5,000,000) in the 2007-2008 fiscal year and not
45 more than five million dollars (\$5,000,000) in the 2008-2009 fiscal year in Medicaid
46 funds budgeted for program services to support the cost of administrative activities
47 when cost-effectiveness and savings are demonstrated. Cost savings must be realized in
48 the same fiscal year that the proposed expenditures will occur. The funds shall be used
49 to support activities that will contain the cost of the Medicaid program.

50 Medicaid cost-containment activities may include prospective reimbursement
51 methods, incentive-based reimbursement methods, service limits, prior authorization of
52 services, periodic medical necessity reviews, revised medical necessity criteria, service
53 provision in the least costly settings, plastic magnetic stripped Medicaid identification
54 cards for issuance to Medicaid enrollees, fraud detection software or other fraud
55 detection activities, technology that improves clinical decision making, credit balance

1 recovery and data mining services, contracting for services, hiring additional staff,
2 providing grants through the Office of Rural Health and Community Care to plan,
3 develop, and implement cost-containment programs, and other cost-containment
4 activities.

5 Funds may be expended under this section only after the Office of State
6 Budget and Management has approved a proposal for the expenditure submitted by the
7 Department. Proposals for expenditure of funds under this section shall include the cost
8 of implementing the cost-containment activity and documentation of the amount of
9 savings expected to be realized from the cost-containment activity. The Department
10 shall provide a copy of proposals for expenditures under this section to the Fiscal
11 Research Division.

12 13 **EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVE** 14 **PROGRAMS REIMBURSEMENT SYSTEM**

15 **SECTION 10.18.** Full implementation for the Community Alternatives
16 Programs reimbursement system shall be not later than 12 months after the date of
17 which the replacement Medicaid Management Information System becomes operational
18 and stabilized.

19 20 **COUNTY MEDICAID COST SHARE FOR CERTAIN SERVICES**

21 **SECTION 10.19.(a)** Effective July 1, 2000, the county share of the cost of
22 Medicaid services currently and previously provided by Local Management Entities
23 shall be increased incrementally each fiscal year until the county share reaches fifteen
24 percent (15%) of the nonfederal share by State fiscal year 2009-2010.

25 **SECTION 10.19.(b)** Effective July 1, 2000, the county share of the cost of
26 Medicaid Personal Care Services paid to adult care homes shall be decreased
27 incrementally each fiscal year until the county share reaches fifteen percent (15%) of
28 the nonfederal share by State fiscal year 2009-2010.

29 30 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS**

31 **SECTION 10.20.** For each year of the 2007-2009 fiscal biennium, the
32 Department of Health and Human Services, Division of Medical Assistance, shall
33 receive funds associated with Disproportionate Share Payments from State hospitals and
34 shall deposit up to one hundred million dollars (\$100,000,000) of these
35 Disproportionate Share Payments to the Department of State Treasurer for deposit as
36 nontax revenue. Any Disproportionate Share Payments collected in excess of one
37 hundred million dollars (\$100,000,000) shall be reserved by the State Treasurer for
38 future appropriations.

39 40 **DISPROPORTIONATE SHARE GAIN**

41 **SECTION 10.21.(a)** G.S. 143C-9-1 reads as rewritten:

42 **"§ 143C-9-1. Medicaid Special Fund; transfers to Department of Health and** 43 **Human Services.**

44 (a) The Medicaid Special Fund is established as a nonreverting special fund in
45 the Department of Health and Human Services. The Medicaid Special Fund shall
46 consist of the federal Medicaid disproportionate share monies remaining after payments
47 are made to hospitals. Annually, the Department shall transfer the disproportionate
48 share gain, after payments are made to hospitals, to the Medicaid Special Fund. Funds
49 deposited to the Medicaid Special Fund shall only be available for expenditure upon an
50 act of appropriation of the General Assembly.

51 ~~(a)~~(b) Political subdivisions may appropriate funds directly to the Department of
52 Health and Human Services for Medicaid programs. Other public agencies and private
53 sources may transfer funds to the Department for Medicaid programs. The Department
54 may accept unconditional and unrestricted donations of such funds. Notwithstanding the
55 provisions of this Article which might forbid such transfer or donation, the University of

1 North Carolina Hospitals at Chapel Hill may transfer funds as provided by the previous
2 sentence of this section.

3 ~~(b)~~(c) Contributed funds shall be subject to the Department of Health and Human
4 Services administrative control and shall be allocated only as specifically provided in
5 the Current Operations Appropriations Act, except such contributions shall not reduce
6 State general revenue funding. At the end of any fiscal year, the unobligated balance of
7 any such funds shall not revert to the General Fund, but shall be reappropriated for these
8 purposes in the next fiscal year."

9 **SECTION 10.21.(b)** This section becomes effective July 1, 2007.

10 11 **MEDICAID SPECIAL FUND TRANSFER**

12 **SECTION 10.22.** Of the funds transferred to the Department of Health and
13 Human Services for Medicaid programs pursuant to G.S. 143C-9-1, there is
14 appropriated from the fund the sum of fifty-three million dollars (\$53,000,000) for the
15 2007-2008 fiscal year and the sum of fifty-three million dollars (\$53,000,000) for the
16 2008-2009 fiscal year. These funds shall be allocated as prescribed by
17 G.S. 143C-9-1(b) for Medicaid programs. Notwithstanding the prescription in
18 G.S. 143C-9-1(b) that these funds not reduce State general revenue funding, these funds
19 shall replace the reduction in general revenue funding effected in this act. The
20 Department may also use funds in the Medicaid Special Fund to fund the settlement of
21 the Disproportionate Share Hospital payment audit issues between the Department of
22 Health and Human Services and the federal government related to fiscal years
23 1997-2002, and funds are hereby appropriated from the fund for the 2007-2009 fiscal
24 biennium for this purpose.

25 26 **MEDICAID ESTATE RECOVERY TO INCLUDE LIENS ON REAL** 27 **PROPERTY**

28 **SECTION 10.23.(a)** G.S. 108A-70.5 reads as rewritten:

29 **"§ 108A-70.5. Medicaid Estate Recovery Plan.**

30 (a) There is established in the Department of Health and Human Services, the
31 Medicaid Estate Recovery Plan, as required by the Omnibus Budget Reconciliation Act
32 of ~~1993--1993~~, to recover from the estates of recipients of medical assistance an
33 equitable amount of the State and federal shares of the cost paid the recipient. The
34 Department shall administer the program in accordance with applicable federal law and
35 regulations, including those under Title XIX of the Social Security Act, 42 U.S.C. §
36 1396(p). ~~To the extent allowed by section 1396(p) of Title XIX of the Social Security~~
37 ~~Act, the Department may impose liens against real property, including the home, of a~~
38 ~~recipient of medical assistance. The Department shall file any liens imposed under this~~
39 ~~section in the court where the property is located in the same manner as for any other~~
40 ~~lien under North Carolina law.~~

41 (b) As used in this section:

42 (1) "Medical assistance" means medical care services paid for by the
43 North Carolina Medicaid Program on behalf of the recipient:

44 a. If the recipient ~~of any age~~ is receiving these medical care
45 services as an inpatient in a nursing facility, intermediate care
46 facility for the mentally retarded, or other medical institution,
47 and cannot reasonably be expected to be discharged to return
48 home; or

49 b. If the recipient is 55 years of age or older and is receiving ~~one~~
50 ~~or more of the following medical care services:~~ these medical
51 care services, including related hospital care and prescription
52 drugs, for nursing facility services, personal care services, or
53 home- and community-based services.

54 1. Nursing facility services.

55 2. Home and community-based services.

- 3. Hospital care and prescription drugs related to nursing facility services or home and community-based services.
- 4. Personal care services.
- 5. Medicare premiums.
- 6. Private duty nursing.
- 7. Home health aide services.
- 8. Home health therapy.
- 9. Speech pathology services.

(2) "Estate" means all the real and personal property considered assets of the estate available for the discharge of debt pursuant to G.S. 28A-15-1.

~~(3) "Home" means property in which a recipient has, or had immediately before or at the time of the recipient's death, an ownership interest or legal title to, consisting of the recipient's dwelling and the land used and operated in connection with the dwelling.~~

(c) The amount the Department recovers from the estate of any recipient shall not exceed the amount of medical assistance made on behalf of the recipient and shall be recoverable only for medical care services prescribed in subsection (b) of this section. ~~To the extent that allowable Medicaid claims are not satisfied as a result of the execution of any liens held by the Department, the~~ The Department is a fifth-class creditor, as prescribed in G.S. 28A-19-6, for purposes of determining the order of claims against an estate; provided, however, that judgments in favor of other fifth-class creditors docketed and in force before the Department seeks recovery for medical assistance shall be paid prior to recovery by the Department.

(d) The Department of Health and Human Services shall adopt rules pursuant to Chapter 150B of the General Statutes to implement the ~~Plan~~ Plan, including rules to waive whole or partial recovery when this recovery would be inequitable because it would work an undue hardship or because it would not be administratively cost-effective and rules to ensure that all recipients are notified that their estates are subject to recovery at the time they become eligible to receive medical assistance.

(e) Regarding trusts that contain the assets of an individual who is disabled as defined in Title 19 of Section 1014(a)(3) of the Social Security Act, as amended, if the trust is established and managed by a nonprofit association, to the extent that amounts remaining in the beneficiary's account upon the death of the beneficiary are not retained by the nonprofit association, the trust pays to the Department from these remaining amounts in the account an amount equal to the total amount of medical assistance paid on behalf of the beneficiary under the North Carolina Medicaid Program."

SECTION 10.23.(b) G.S. 108A-70.6 through G.S. 108A-70.9 are repealed.

SECTION 10.23.(c) This section becomes effective July 1, 2007.

REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.23A. G.S. 108A-55.4 reads as rewritten:

"§ 108A-55.4. Insurers to provide certain information to Department of Health and Human Services.

(a) As used in this section, the terms:

(1) "Department" means the Department of Health and Human ~~Services.~~ Services and any contracted parties working on behalf of the Department of Health and Human Services.

(2) "Division" means the Division of Medical Assistance of the Department of Health and Human ~~Services.~~ Services and any contracted parties working on behalf of the Department of Health and Human Services.

(3) "Health insurer" includes self-insured plans, group health plans (as defined in section 607(1) of the Employee Retirement Income Security Act of 1974, ~~[29 USC Section 1167(1)]~~, 29 U.S.C. § 1167(1), service

1 benefit plans, managed care organizations, or other parties that are, by
 2 statute, contract, or agreement, legally responsible for payment of a
 3 claim for a health care item or service as a condition of doing business
 4 in the State.

5 (4) "Medical assistance" means medical assistance benefits provided
 6 under the State Medical Assistance Plan.

7 (5) Subscriber is defined as the policyholder of the insurance.

8 (6) Applicant or recipient is defined as any applicant or present or former
 9 applicant or recipient of medical assistance benefits.

10 (7) Request is defined as any inquiry by the Department, the Division, or
 11 both for the purpose of determining the existence of insurance where
 12 the Department or Division or both may have expended public
 13 assistance benefits or to enforce or establish child or medical support
 14 enforcement orders.

15 (b) Health insurers, and pharmacy benefit managers regulated as third-party
 16 administrators under Article 56 of Chapter 58 of the General Statutes, shall provide,
 17 with respect to ~~individuals who are eligible for, or are provided, medical assistance, any~~
 18 applicant or recipient, upon request of the Division, information to determine during
 19 what period the individual or the individual's spouse or dependents may be (or may
 20 have been) covered by a health insurer and the nature of the coverage that is or was
 21 provided by the health insurer (including the subscriber's name, subscriber's address,
 22 and subscriber's identification number, identifying number of the plan) ~~plan, the~~
 23 applicant's or recipient's social security number, the applicant's or recipient's name, and
 24 the applicant's or recipient's date of birth) in a manner prescribed by the Division.
 25 Notwithstanding any other provision of law, and in addition to the requirements set
 26 forth in subdivision(b)(5) of this subsection, every health insurer issuing a health benefit
 27 plan shall also provide, not more frequently than twelve times in a year and at no cost,
 28 to the Department of Health and Human Services, Division of Medical Assistance, upon
 29 its request, information, including automated data matches conducted under the
 30 direction of the Department of Health and Human Services, Division of Medical
 31 Assistance, as necessary to so that the Division may (i) identify individuals who may
 32 also be applicants or recipients of medical assistance covered under the insurer's health
 33 benefit plans of the health insurer; who are also recipients of medical assistance; (ii)
 34 determine the period during which the individual ~~individual, or the individual's spouses~~
 35 spouse, or the individual's dependents may be or may have been covered by the health
 36 benefit plan; and (iii) determine the nature of the coverage. To facilitate the Division in
 37 obtaining this and other related information, every health insurer shall:

38 (1) ~~Cooperate with the Division to determine whether a named individual~~
 39 ~~who is a recipient of medical assistance may be covered under the~~
 40 ~~insurer's health benefit plan and eligible to receive benefits under the~~
 41 ~~health benefit plan for services provided under the State Medical~~
 42 ~~Assistance Plan.~~

43 (2) Respond to the request for information within 90 working days after
 44 receipt of written proof of loss or claim for payment for health care
 45 services provided to a recipient of medical assistance who is covered
 46 by the insurer's health benefit plan.

47 (3) Accept the Division's right of recovery and the assignment to the
 48 Division of any right of an individual or other entity to payment from
 49 the party for an item or service for which payment has been made
 50 under the State Medical Assistance Plan.

51 (4) Respond to any inquiry by the Division regarding a claim for payment
 52 for any health care item or service that is submitted not later than three
 53 years after the date of the provision of the health care item or service.

54 (5) Agree not to deny a claim submitted by the Division solely on the
 55 basis of the date of submission of the claim, the type of format of the

1 claim form, or a failure to present proper documentation at the
2 point-of-sale that is the basis of the claim, if:

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

9 (6) Cooperate with the Division's requests to determine a named
10 individual's eligibility or payment information under the benefit plan
11 of the health insurer.

12 (c) ~~An A health insurer that which~~ complies with this section G.S. 108A-55.4
13 shall not be liable on that account for its compliance in any civil or criminal actions or
14 proceedings."

15 16 SUBROGATION RIGHTS FOR MEDICAID AND NC HEALTH CHOICE

17 **SECTION 10.24.(a)** G.S. 108A-57(a) reads as rewritten:

18 "(a) Notwithstanding any other provisions of the law, to the extent of payments
19 under this Part, the State, or the county providing medical assistance benefits, shall be
20 subrogated to all rights of recovery, contractual or otherwise, of the beneficiary of this
21 assistance, or of the beneficiary's personal representative, heirs, or the administrator or
22 executor of the estate, against any ~~person-person~~ liable for payment for medical care.
23 The county attorney, or an attorney retained by the county or the State or both, or an
24 attorney retained by the beneficiary of the assistance if this attorney has actual notice of
25 payments made under this Part shall enforce this section. ~~Any attorney retained by the~~
26 ~~beneficiary of the assistance shall, out of the proceeds obtained on behalf of the~~
27 ~~beneficiary by settlement with, judgment against, or otherwise from a third party by~~
28 ~~reason of injury or death, distribute to the Department the amount of assistance paid by~~
29 ~~the Department on behalf of or to the beneficiary, as prorated with the claims of all~~
30 ~~others having medical subrogation rights or medical liens against the amount received~~
31 ~~or recovered, but the amount paid to the Department shall not exceed one third of the~~
32 ~~gross amount obtained or recovered.~~

33 Any action or claim brought by the beneficiary, including a beneficiary who is a
34 minor, whether or not the beneficiary is represented by an attorney, for damages arising
35 out of any accident or injury for which medical assistance benefits have been paid shall
36 include a claim for all medical payments made under this Part.

37 Any proceeds obtained by a beneficiary not represented by an attorney, including a
38 beneficiary who is a minor, by settlement, release, or otherwise from a third party by
39 reason of injury or death, shall be designated as medical damages payable to the
40 Department up to the full amount of assistance paid on behalf of the beneficiary by the
41 Department, or shall be designated as medical damages payable to the Department up to
42 two-thirds of the gross amount of the recovery, whichever is less.

43 Any proceeds obtained by a beneficiary who is represented by an attorney, including
44 a beneficiary who is a minor, by settlement, release, or otherwise from a third party by
45 reason of injury or death, shall be designated as medical damages payable to the
46 Department up to the full amount of assistance paid on behalf of the beneficiary by the
47 Department or up to one-third of the gross amount of the recovery, whichever is less.
48 Any attorney representing a beneficiary, including a beneficiary who is a minor, shall
49 distribute to the Department the amount owed the Department under this Part as
50 prorated with the claims of all others having medical subrogation rights or medical liens
51 against the amount received or recovered.

52 It shall be the duty of the beneficiary, including a beneficiary who is a minor, any
53 attorney who represents the beneficiary, and any person who is responsible or liable for
54 payment of the medical damages to ensure that this recovery for medical damages is
55 distributed to the Department in a timely fashion.

1 The United States and the State of North Carolina shall be entitled to shares in each
2 net recovery under this section. Their shares shall be promptly paid under this section
3 and their proportionate parts of such sum shall be determined in accordance with the
4 matching formulas in use during the period for which assistance was paid to the
5 recipient."

6 **SECTION 10.24.(b)** G.S. 135-40.13A reads as rewritten:

7 "**§ 135-40.13A. Liability of third person; right of subrogation; right of first**
8 **recovery.**

9 (a) The Plan or the Health Insurance Program for Children, otherwise known as
10 NC Health Choice shall have the right of subrogation upon all of the Plan member's or
11 NC Health Choice recipient's right to recover from a liable third party for payment made
12 under the Plan, Plan or NC Health Choice, for all medical expenses, including provider,
13 hospital, surgical, or prescription drug expenses, to the extent those payments are
14 related to an injury caused by a liable third party. Those benefits subrogated on behalf
15 of NC Health Choice shall be returned to the Division of Medical Assistance. The Plan
16 member or NC Health Choice recipient shall do nothing to prejudice these rights. The
17 Plan or NC Health Choice has the right to first recovery on any amounts so recovered,
18 whether by the Plan or the Plan member, or by NC Health Choice or the NC Health
19 Choice recipient, and whether recovered by litigation, arbitration, mediation, settlement,
20 or otherwise. Notwithstanding any other provision of law to the contrary, the recovery
21 limitation set forth in G.S. 28A-18-2 shall not apply to the Plan's or NC Health Choice's
22 right of subrogation of Plan members, members or recipients of NC Health Choice.

23 (b) If the Plan is precluded from exercising its right of subrogation, it may
24 exercise its rights of recovery pursuant to G.S. 135-40.13(g). If the Plan or NC Health
25 Choice recovers damages from a liable third party in excess of the claims paid, any
26 excess will be paid to the ~~member, member~~ or NC Health Choice recipient, less a
27 proportionate share of the costs of collection.

28 (c) In the event a Plan member or a Health Choice recipient recovers any
29 amounts from a liable third party to which the Plan or NC Health Choice is entitled
30 under this section, the Plan or NC Health Choice may recover the amounts directly from
31 the Plan ~~member, Member~~ or NC Health Choice recipient. The Plan or NC Health
32 Choice has a lien, for not more than the value of claims paid related to the liability of
33 the third party, on any damages subsequently recovered against the liable third party. If
34 the Plan member or NC Health Choice recipient fails to pursue the remedy against a
35 liable third party, the Plan or NC Health Choice is subrogated to the rights of the Plan
36 member or NC Health Choice recipient and is entitled to enforce liability in the Plan's or
37 NC Health Choice's own name or in the name of the Plan member or NC Health Choice
38 recipient for the amount paid by the ~~Plan, Plan~~ or NC Health Choice.

39 (d) In no event shall the Plan's lien exceed fifty percent (50%) of the total
40 damages recovered by the Plan member, exclusive of the Plan member's reasonable
41 costs of collection as determined by the Plan in the Plan's sole discretion. The decision
42 by the Plan as to the reasonable cost of collection is conclusive and is not a "final
43 agency decision" for purposes of a contested case under Chapter 150B of the General
44 Statutes. Notice of the Plan's lien or right to recovery shall be presumed when a Plan
45 member is represented by an attorney, and the attorney shall disburse proceeds pursuant
46 to this section.

47 (e) Any proceeds obtained by an NC Health Choice recipient not represented by
48 an attorney by settlement, release, or otherwise from a third party by reason of injury or
49 death, shall be designated as medical damages payable to the Division of Medical
50 Assistance, Department of Health and Human Services ("Division") up to the full
51 amount of assistance paid on behalf of the NC Health Choice recipient by the Division,
52 or shall be designated as medical damages payable to the Division up to two-thirds of
53 the gross amount of the recovery, whichever is less.

54 Any proceeds obtained by an NC Health Choice recipient who is represented by an
55 attorney by settlement, release, or otherwise from a third party by reason of injury or

1 death, shall be designated as medical damages payable to the Division up to the full
2 amount of assistance paid on behalf of the NC Health Choice recipient by the
3 Department or up to one-third of the gross amount of the recovery, whichever is less.
4 Any attorney representing an NC Health Choice recipient shall distribute to the
5 Department the amount owed the Department under this section as prorated with the
6 claims of all others having medical subrogation rights or medical liens against the
7 amount received or recovered."

8 **SECTION 10.24.(c)** This section becomes effective July 1, 2007.
9

10 SENIOR CENTER OUTREACH

11 **SECTION 10.25.(a)** Funds appropriated to the Department of Health and
12 Human Services, Division of Aging and Adult Services, for the 2007-2009 fiscal
13 biennium, shall be used by the Division of Aging and Adult Services to enhance senior
14 center programs as follows:

15 (1) To expand the outreach capacity of senior centers to reach unserved or
16 underserved areas; or

17 (2) To provide start-up funds for new senior centers.

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

19 **SECTION 10.25.(b)** Prior to funds being allocated pursuant to this section
20 for start-up funds for a new senior center, the county commissioners of the county in
21 which the new center will be located shall:

22 (1) Formally endorse the need for such a center;

23 (2) Formally agree on the sponsoring agency for the center; and

24 (3) Make a formal commitment to use local funds to support the ongoing
25 operation of the center.

26 **SECTION 10.25.(c)** State funding shall not exceed seventy-five percent
27 (75%) of reimbursable costs.
28

29 STATE-COUNTY SPECIAL ASSISTANCE

30 **SECTION 10.26.(a)** The eligibility of Special Assistance recipients residing
31 in adult care homes on August 1, 1995, shall not be affected by an income reduction in
32 the Special Assistance eligibility criteria resulting from adoption of the Rate Setting
33 Methodology Report and Related Services, providing these recipients are otherwise
34 eligible. The maximum monthly rate for these residents in adult care home facilities
35 shall be one thousand two hundred thirty-one dollars (\$1,231) per month per resident.

36 **SECTION 10.26.(b)** Effective January 1, 2007, the maximum monthly rate
37 for residents in adult care home facilities shall be one thousand one hundred forty-eight
38 dollars (\$1,148) per month per resident unless adjusted by the Department in
39 accordance with subsection (d) of this section.

40 **SECTION 10.26.(c)** The maximum monthly rate for residents in
41 Alzheimer/Dementia special care units shall be one thousand five hundred fifteen
42 dollars (\$1,515) per month per resident unless adjusted by the Department in
43 accordance with subsection (d) of this section.

44 **SECTION 10.26.(d)** Notwithstanding any other provision of this section, the
45 Department of Health and Human Services shall review activities and costs related to
46 the provision of care in adult care homes and shall determine what costs may be
47 considered to properly maximize allowable reimbursement available through Medicaid
48 personal care services for adult care homes (ACH-PCS) under federal law. As
49 determined, and with any necessary approval from the Centers for Medicare and
50 Medicaid Services (CMS), and the approval of the Office of State Budget and
51 Management, the Department may transfer necessary funds from the State-County
52 Special Assistance program within the Division of Social Services to the Division of
53 Medical Assistance and may use those funds as State match to draw down federal
54 matching funds to pay for such activities and costs under Medicaid's personal care
55 services for adult care homes (ACH-PCS), thus maximizing available federal funds. The

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

19 **SECTION 10.26.(e)** Effective July 1, 2007, the Department of Health and
20 Human Services shall recommend rates for State-County Special Assistance and for
21 Adult Care Home Personal Care Services. The Department may recommend separate
22 rates for residents of special care units. The Department shall recommend rates using
23 appropriate cost modeling methodology and cost reports submitted by adult care homes
24 that receive State-County Special Assistance funds and shall ensure that cost reporting
25 is done for State-County Special Assistance and Adult Care Home Personal Care
26 Services to the same standards as apply to other residential service providers.

27 **SPECIAL ASSISTANCE IN-HOME**

28 **SECTION 10.27(a)** The Department of Health and Human Services may use
29 funds from the existing State-County Special Assistance for Adults budget to provide
30 Special Assistance payments to eligible individuals in in-home living arrangements.
31 These payments may be made for up to 1,500 individuals during the 2007-2008 fiscal
32 year and the 2008-2009 fiscal year. The standard monthly payment to individuals
33 enrolled in the Special Assistance in-home program shall be seventy-five percent (75%)
34 of the monthly payment the individual would receive if the individual resided in an
35 adult care home and qualified for Special Assistance, except if a lesser payment amount
36 is appropriate for the individual as determined by the local case manager. For State
37 fiscal year 2007-2008, qualified individuals shall not receive payments at rates less than
38 they would have been eligible to receive in State fiscal year 2006-2007. The Department
39 shall implement Special Assistance in-home eligibility policies and procedures to assure
40 that in-home program participants are those individuals who need and, but for the
41 in-home program, would seek placement in an adult care home facility. The
42 Department's policies and procedures shall include the use of a functional assessment.
43 The Department shall make this in-home option available to all counties on a voluntary
44 basis. To the maximum extent possible, the Department shall consider geographic
45 balance in the dispersion of payments to individuals across the State.

46 **QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT 47 CARE HOMES**

48 **SECTION 10.28.(a)** The Department's Division of Aging and Adult
49 Services shall develop a Quality Improvement Consultation Program for Adult Care
50 Homes. The purpose of the Program is to promote better care and improve quality of
51 life in a safe environment for residents in adult care homes through consultation and
52 assistance with adult care home providers. The county departments of social services
53
54

1 shall be responsible for implementation of the Program with all adult care homes
2 located in the respective county, based on a timetable for statewide implementation.

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

7 The Program will address the following topics:

- 8 (1) Principles and philosophies that are resident-centered and promote
9 independence, dignity, and choice for residents;
- 10 (2) Approaches to develop continuous quality improvement with a focus
11 on resident satisfaction and optimal outcomes;
- 12 (3) Dissemination of best practice models that have been used successfully
13 elsewhere;
- 14 (4) A determination of the availability of standardized instruments, and
15 their use to the extent possible, to assess and measure adult care home
16 performance according to quality of life indicators;
- 17 (5) Utilization of quality improvement plans for adult care homes that
18 identify and resolve issues that adversely affect quality of care and
19 services to residents. The plans include agreed upon time frames for
20 completion of improvements and identification of needed resources;
- 21 (6) Training required to equip county departments of social services' staff
22 to implement the Program;
- 23 (7) A distinction of roles between the regulatory role of the Department's
24 Division of Facility Services and the quality improvement consultation
25 and monitoring responsibilities of the county departments of social
26 services; and
- 27 (8) Identification of staffing and other resources needed to implement the
28 Program.

29 The Division of Aging and Adult Services shall conduct a pilot of the Quality
30 Improvement Consultation Program for Adult Care Homes. No more than four county
31 departments of social services shall participate in the pilot. The Division of Aging and
32 Adult Services shall consider geographic balance and size in carrying out the pilot. At
33 the conclusion of the pilot, the Division of Aging and Adult Services shall make
34 recommendations regarding the effectiveness of the Quality Improvement Consultation
35 Program for Adult Care Homes. If the Division recommends expansion of the pilot to
36 other counties or statewide implementation of the Program, its report shall include the
37 cost and a proposed timetable for implementing these recommendations, including the
38 identification of any necessary statutory and administrative rule changes. The
39 recommendations shall be made to the Secretary of the Department of Health and
40 Human Services, the North Carolina Study Commission on Aging, the Senate
41 Appropriations Committee on Health and Human Services, and the House of
42 Representatives Subcommittee on Health and Human Services.

43 44 **CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY** 45 **OBLIGATIONS**

46 **SECTION 10.29.** G.S. 131E-177(9) reads as rewritten:

- 47 "(9) Establish and collect fees for submitting applications for certificates of
48 need. The fee schedule established ~~should~~ is intended to generate
49 sufficient revenue to offset the entire cost of the certificate of need
50 program. ~~This fee may not exceed seventeen thousand five hundred~~
51 ~~dollars (\$17,500) and may not be less than two thousand dollars~~
52 ~~(\$2,000).~~ Fees collected under this subdivision shall be credited to the
53 General Fund as nontax revenue. The fee shall be five thousand dollars
54 (\$5,000) plus .003 of the amount of the proposed capital expenditure

that exceeds one million dollars (\$1,000,000) but may not exceed a total of fifty thousand dollars (\$50,000)."

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 10.30. G.S. 131E-267 reads as rewritten:

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

The Department of Health and Human Services shall charge a fee for the review of each health care facility construction project to ensure that project plans and construction are in compliance with State law. The project fee shall be determined by the Division of Facility Services. The fee shall be charged on a one-time, per-project basis, as follows, and shall not exceed ~~twenty five thousand dollars (\$25,000)~~ two hundred thousand dollars (\$200,000) for any single ~~project~~project. Fees collected under this provision in excess of seven hundred twelve thousand six hundred twenty-six dollars (\$712,626) shall be credited to the General Fund as nontax revenue and are intended to offset rather than replace appropriation.

Institutional Project	Project Fee
Hospitals	\$300.00 plus \$0.20/square foot of project space
Nursing Homes	\$250.00 plus \$0.16/square foot of project space
Ambulatory Surgical Facility	\$200.00 plus \$0.16/square foot of project space
Psychiatric Hospital	\$200.00 plus \$0.16/square foot of project space
Adult Care Home	
7 or more beds	\$175.00 plus \$0.10/square foot of project space

<u>Institutional Project</u>	<u>Project Fee</u>
<u>Hospitals</u>	
<u>0-5,000 square foot project</u>	<u>\$1,500.00 plus \$0.25/square foot of project space</u>
<u>5001-10,000 square foot project</u>	<u>\$3,000.00 plus \$0.25/square foot of project space</u>
<u>10,001-20,000 square foot project</u>	<u>\$4,500.00 plus \$0.45/square foot of project space</u>
<u>20,001 and greater square foot project</u>	<u>\$6,000.00 plus \$0.45/square foot of project space</u>
<u>Nursing Homes</u>	
<u>New Facility/Major Renovation</u>	
<u>2,001 square foot and greater project</u>	<u>\$500.00 plus \$0.25/square foot of project space</u>
<u>Small Project/Minor Renovation</u>	
<u>0-2,000 square foot project</u>	<u>\$250.00 plus \$0.15/square foot of project space</u>
<u>Ambulatory Surgical Facility</u>	
<u>New Facility/Major Renovation</u>	
<u>2,001 square foot and greater project</u>	<u>\$400.00 plus \$0.25/square foot of project space</u>
<u>Small Project/Minor Renovation</u>	
<u>0-2,000 square foot project</u>	<u>\$200.00 plus \$0.15/square foot of project space</u>
<u>Hospital</u>	
<u>0-5,000 square foot project</u>	<u>\$750.00 plus \$0.25/square foot of project space</u>
<u>5,001-10,000 square foot project</u>	<u>\$1,500.00 plus \$0.25/square foot of project space</u>
<u>10,001-20,000 square foot project</u>	<u>\$2,250.00 plus \$0.45/square foot of project space</u>
<u>20,001 and greater square</u>	<u>\$3,000.00 plus \$0.45/square foot of project space</u>

1 foot project

2
3 **Adult Care Home**

4 7 or more beds

5 New Facility/Major Renovation

6 2,001 square foot and

\$350.00 plus \$0.20/square foot of project space

7 greater project

8 Small Project/Minor Renovation

9 0-2,000 square foot project

\$175.00 plus \$0.10/square foot of project space

11
12 **Residential Project**

Project Fee

13 Family Care Homes

~~\$175.00~~ \$225.00 flat fee

14 ICF/MR Group Homes

~~\$275.00~~ \$350.00 flat fee

15 Group Homes: 1-3 beds

~~\$100.00~~ \$125.00 flat fee

16 Group Homes: 4-6 beds

~~\$175.00~~ \$225.00 flat fee

17 Group Homes: 7-9 beds

~~\$225.00~~ \$275.00 flat fee

18 Other residential:

19 More than 9 beds

~~\$225.00 plus \$0.075/~~ \$275.00 plus \$0.15/square
foot of project space."

21
22 **COMMUNITY HEALTH CENTER CHANGES**

23 **SECTION 10.31.** Of the funds appropriated in this act for Community
24 Health Grants, the sum of five hundred thousand dollars (\$500,000) in 2007-2008 and
25 2008-2009 fiscal years shall be allocated to federally qualified health centers and those
26 health centers that meet the criteria for federally qualified health centers,
27 State-designated rural health centers, free clinics, public health departments, and other
28 nonprofit organizations that provide primary and preventive medical services to
29 uninsured or medically indigent patients to:

- 30 (1) Increase access to preventative and primary care services by uninsured
31 or medically indigent patients in existing or new health center
32 locations;
- 33 (2) Establish community health center services in counties where no such
34 services exist;
- 35 (3) Create new services or augment existing services provided to
36 uninsured or medically indigent patients, including primary care and
37 preventative medical services, dental services, pharmacy, and
38 behavioral health; and
- 39 (4) Increase capacity necessary to serve the uninsured by enhancing or
40 replacing facilities, equipment, or technologies.

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

49
50 **DIVISION OF INFORMATION RESOURCE MANAGEMENT PROJECT**
51 **MANAGEMENT**

52 **SECTION 10.32.** All project management positions within the Division of
53 Information Resource Management are exempt positions as that term is defined in
54 G.S. 126-5.

HEALTH INFORMATION SYSTEMS (HIS) FUNDS

SECTION 10.33. The sum of nine million five hundred eighty-two thousand one hundred sixteen dollars (\$9,582,116) is appropriated from Budget Code 24430, Fund Code 2117, to the Department of Health and Human Services, Division of Public Health, for the 2007-2008 fiscal year. These funds shall be used for the development and implementation of the Health Information Systems (HIS), an initiative that will provide an automated means of capturing, monitoring, reporting, and billing services provided in local health departments, CDSAs, and the State Public Health Laboratory. The HIS will allow for interfaces to local health departments' own vendor systems and is intended to replace the outdated Health Services Information System.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.34. The Department of Health and Human Services shall implement and maintain performance standards developed for each of the State and county child support enforcement offices across the State. These performance standards shall include the following:

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

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

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.35.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

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

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

SECTION 10.35.(b) The maximum rates for State participation in the adoption assistance program are established on a graduated scale as follows:

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

SECTION 10.35.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

SECTION 10.35.(d) The maximum rates for the State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

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

CHILD CARING INSTITUTIONS

SECTION 10.36. Reimbursements to child caring institutions shall not exceed the reimbursement rate established for the specific child caring institution by the Department of Health and Human Services, Office of the Controller. In determining the maximum reimbursement, counties shall include county and IV-E reimbursements.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.37.(a) Of the funds appropriated to the Department of Health and Human Services in this act, the sum of one hundred thousand dollars (\$100,000) shall be used to support the Special Children Adoption Fund for the 2007-2008 and 2008-2009 fiscal years. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose income exceeds two hundred percent (200%) of the federal poverty level.

SECTION 10.37.(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31 each fiscal year, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

SECTION 10.37.(c) The Division of Social Services shall monitor the total expenditures in the Special Children Adoption Fund and redistribute unspent funds to ensure that the funds are used according to the guidelines established in subsection (a) of this section. The Division shall implement strategies to ensure that funds that have historically reverted for this program are used for the intended purpose.

TANF BENEFIT IMPLEMENTATION

SECTION 10.38.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2007-2009," prepared by the Department of Health and Human Services and presented to the General Assembly. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2007, through September 30, 2009. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services, as amended by this act or any other act of the 2007 General Assembly.

SECTION 10.38(b) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2007-2009 as approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, McDowell, Sampson, Stokes, and Wilson.

SECTION 10.38(c) Counties that submitted the letter of intent to remain as an Electing County or to be redesignated as an Electing County and the accompanying county plan for fiscal years 2007 through 2009, pursuant to G.S. 108A-27(e), shall operate under the Electing County budget requirements effective July 1, 2007. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2007.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

1 **SECTION 10.39.(a)** Notwithstanding the provisions of G.S. 143B-150.6,
2 the Intensive Family Preservation Services (IFPS) Program shall provide intensive
3 services to children and families in cases of abuse, neglect, and dependency where a
4 child is at imminent risk of removal from the home and to children and families in cases
5 of abuse where a child is not at imminent risk of removal. The Program shall be
6 developed and implemented statewide on a regional basis. The IFPS shall ensure the
7 application of standardized assessment criteria for determining imminent risk and clear
8 criteria for determining out-of-home placement.

9 **SECTION 10.39.(b)** The Department of Health and Human Services shall
10 require that any program or entity that receives State, federal, or other funding for the
11 purpose of Intensive Family Preservation Services shall provide information and data
12 that allows for:

- 13 (1) An established follow-up system with a minimum of six months of
14 follow-up services.
- 15 (2) Detailed information on the specific interventions applied including
16 utilization indicators and performance measurement.
- 17 (3) Cost-benefit data.
- 18 (4) Data on long-term benefits associated with Intensive Family
19 Preservation Services. This data shall be obtained by tracking families
20 through the intervention process.
- 21 (5) The number of families remaining intact and the associated
22 interventions while in IFPS and 12 months thereafter.
- 23 (6) The number and percentage by race of children who received Intensive
24 Family Preservation Services compared to the ratio of their distribution
25 in the general population involved with Child Protective Services.

26 **SECTION 10.39.(c)** The Department shall establish performance-based
27 funding protocol and shall only provide funding to those programs and entities
28 providing the required information specified in subsection (b) of this section. The
29 amount of funding shall be based on the individual performance of each program.

30 **CHILD CARE ALLOCATION FORMULA**

31 **SECTION 10.40.(a)** The Department of Health and Human Services shall
32 allocate child care subsidy voucher funds to pay the costs of necessary child care for
33 minor children of needy families. The mandatory thirty percent (30%) Smart Start
34 subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each
35 county's child care subsidy allocation. The Department of Health and Human Services
36 shall use the following method when allocating federal and State child care funds, not
37 including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

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

44 **SECTION 10.40.(b)** The Department of Health and Human Services may
45 reallocate unused child care subsidy voucher funds in order to meet the child care needs
46 of low-income families. Any reallocation of funds shall be based upon the expenditures
47 of all child care subsidy voucher funding, including Smart Start funds, within a county.

48 **SECTION 10.40.(c)** Notwithstanding subsection (a) of this section, the
49 Department of Health and Human Services shall allocate up to twelve million dollars
50 (\$12,000,000) in federal block grant funds and State funds appropriated for fiscal years
51 2007-2008 and 2008-2009 for child care services. These funds shall be allocated to
52 prevent termination of child care services or for other specific needs as determined by
53 the department.
54
55

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.41. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving its initial allocation of child care funds appropriated by this act unless federal law requires a match. Additional funds above twenty-five thousand dollars (\$25,000) that are reallocated by the department to local purchasing agencies beyond their initial allocation shall require a fifteen percent (15%) local match in order to receive these reallocated funds. Matching requirements shall not apply when funds are allocated because of a disaster as defined in G.S. 166A-4(1).

CHILD CARE REVOLVING LOAN

SECTION 10.42. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

CHILD CARE SUBSIDY RATES

SECTION 10.43.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be seventy-five percent (75%) of the State median income, adjusted for family size.

SECTION 10.43.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Fees shall be determined as follows:

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

SECTION 10.43.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

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

SECTION 10.43.(d) Provisions of payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care are as follows:

- (1) Except as applicable in subdivision (2) of this subsection, payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

- 1 (2) If it can be demonstrated that the application of the statewide or
2 regional market rate to a county with fewer than 50 children in each
3 age group is lower than the county market rate and would inhibit the
4 ability of the county to purchase child care for low-income children,
5 then the county market rate may be applied.

6 **SECTION 10.43.(e)** A market rate shall be calculated for child care centers
7 and homes at each rated license level for each county and for each age group or age
8 category of enrollees and shall be representative of fees charged to parents for each age
9 group of enrollees within the county. The Division of Child Development shall also
10 calculate a statewide rate and regional market rates for each rated license level for each
11 age category.

12 **SECTION 10.43.(f)** Facilities licensed pursuant to Article 7 of Chapter 110
13 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate
14 in the program that provides for the purchase of care in child care facilities for minor
15 children of needy families. No separate licensing requirements shall be used to select
16 facilities to participate. In addition, child care facilities shall be required to meet any
17 additional applicable requirements of federal law or regulations. Child care
18 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the
19 General Statutes shall meet the requirements established by other State law and by the
20 Social Services Commission.

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

25 **SECTION 10.43.(g)** Payment for subsidized child care services provided
26 with Work First Block Grant funds shall comply with all regulations and policies issued
27 by the Division of Child Development for the subsidized child care program.

28 **SECTION 10.43.(h)** Noncitizen families who reside in this State legally
29 shall be eligible for child care subsidies if all other conditions of eligibility are met. If
30 all other conditions of eligibility are met, noncitizen families who reside in this State
31 illegally shall be eligible for child care subsidies only if at least one of the following
32 conditions is met:

- 33 (1) The child for whom a child care subsidy is sought is receiving child
34 protective services or foster care services.
35 (2) The child for whom a child care subsidy is sought is developmentally
36 delayed or at risk of being developmentally delayed.
37 (3) The child for whom a child care subsidy is sought is a citizen of the
38 United States.
39

40 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**

41 **ENHANCEMENTS**

42 **SECTION 10.44.(a)** Administrative costs shall be equivalent to, on an
43 average statewide basis for all local partnerships, not more than eight percent (8%) of
44 the total statewide allocation to all local partnerships. For purposes of this subsection,
45 administrative costs shall include costs associated with partnership oversight, business
46 and financial management, general accounting, human resources, budgeting,
47 purchasing, contracting, and information systems management.

48 **SECTION 10.44.(b)** The North Carolina Partnership for Children, Inc., and
49 all local partnerships shall use competitive bidding practices in contracting for goods
50 and services on contract amounts as follows:

- 51 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
52 specified by a written policy to be developed by the Board of Directors
53 of the North Carolina Partnership for Children, Inc.
54 (2) For amounts greater than five thousand dollars (\$5,000), but less than
55 fifteen thousand dollars (\$15,000), three written quotes.

1 (3) For amounts of fifteen thousand dollars (\$15,000) or more, but less
2 than forty thousand dollars (\$40,000), a request for proposal process.

3 (4) For amounts of forty thousand dollars (\$40,000) or more, a request for
4 proposal process and advertising in a major newspaper.

5 **SECTION 10.44.(c)** The North Carolina Partnership for Children, Inc., and
6 all local partnerships shall, in the aggregate, be required to match no less than fifty
7 percent (50%) of the total amount budgeted for the program in each fiscal year of the
8 biennium as follows: contributions of cash equal to at least fifteen percent (15%) and
9 in-kind donated resources equal to no more than five percent (5%) for a total match
10 requirement of twenty percent (20%) for each fiscal year. The North Carolina
11 Partnership for Children, Inc., may carry forward any amount in excess of the required
12 match for a fiscal year in order to meet the match requirement of the succeeding fiscal
13 year. Only in-kind contributions that are quantifiable shall be applied to the in-kind
14 match requirement. Volunteer services may be treated as an in-kind contribution for the
15 purpose of the match requirement of this subsection. Volunteer services that qualify as
16 professional services shall be valued at the fair market value of those services. All other
17 volunteer service hours shall be valued at the statewide average wage rate as calculated
18 from data compiled by the Employment Security Commission in the Employment and
19 Wages in North Carolina Annual Report for the most recent period for which data are
20 available. Expenses, including both those paid by cash and in-kind contributions,
21 incurred by other participating non-State entities contracting with the North Carolina
22 Partnership for Children, Inc., or the local partnerships, also may be considered
23 resources available to meet the required private match. In order to qualify to meet the
24 required private match, the expenses shall:

25 (1) Be verifiable from the contractor's records.

26 (2) If in-kind, other than volunteer services, be quantifiable in accordance
27 with generally accepted accounting principles for nonprofit
28 organizations.

29 (3) Not include expenses funded by State funds.

30 (4) Be supplemental to and not supplant preexisting resources for related
31 program activities.

32 (5) Be incurred as a direct result of the Early Childhood Initiatives
33 Program and be necessary and reasonable for the proper and efficient
34 accomplishment of the Program's objectives.

35 (6) Be otherwise allowable under federal or State law.

36 (7) Be required and described in the contractual agreements approved by
37 the North Carolina Partnership for Children, Inc., or the local
38 partnership.

39 (8) Be reported to the North Carolina Partnership for Children, Inc., or the
40 local partnership by the contractor in the same manner as reimbursable
41 expenses.

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

50 **SECTION 10.44.(d)** The Department of Health and Human Services shall
51 continue to implement the performance-based evaluation system.

52 **SECTION 10.44.(e)** The Department of Health and Human Services and the
53 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds
54 for Early Childhood Education and Development Initiatives for State fiscal years

1 2007-2008 and 2008-2009 shall be administered and distributed in the following
2 manner:

- 3 (1) Capital expenditures are prohibited for fiscal years 2007-2008 and
4 2008-2009. For the purposes of this section, "capital expenditures"
5 means expenditures for capital improvements as defined in
6 G.S. 143-34.40.
7 (2) Expenditures of State funds for advertising and promotional activities
8 are prohibited for fiscal years 2007-2008 and 2008-2009.

9 **SECTION 10.44.(f)** A county may use the county's allocation of State and
10 federal child care funds to subsidize child care according to the county's Early
11 Childhood Education and Development Initiatives Plan as approved by the North
12 Carolina Partnership for Children, Inc. The use of federal funds shall be consistent with
13 the appropriate federal regulations. Child care providers shall, at a minimum, comply
14 with the applicable requirements for State licensure pursuant to Article 7 of Chapter 110
15 of the General Statutes.

16 **SECTION 10.44.(g)** For fiscal years 2007-2008 and 2008-2009, the local
17 partnerships shall spend an amount for child care subsidies that provides at least
18 fifty-two million dollars (\$52,000,000) for the TANF maintenance of effort requirement
19 and the Child Care Development Fund and Block Grant match requirement.
20

21 NORTH CAROLINA PARTNERSHIP FOR CHILDREN PERSONNEL 22 RECORD PROTECTION

23 **SECTION 10.45.(a)** G.S. 143B-168.12(a)(2) reads as rewritten:

- 24 "(2) The North Carolina Partnership and the local partnerships shall agree
25 to adopt procedures for its operations that are comparable to those of
26 Article 33C of Chapter 143 of the General Statutes, the Open Meetings
27 Law, and Chapter 132 of the General Statutes, the Public Records
28 Law, and provide for enforcement by the Department. Such procedures
29 may provide for the confidentiality of personnel files that are
30 comparable to Article 7 of Chapter 126 of the General Statutes."

31 **SECTION 10.45.(b)** G.S. 143B-168.14(a)(2) reads as rewritten:

- 32 "(2) Each local partnership shall agree to adopt procedures for its
33 operations that are comparable to those of Article 33C of Chapter 143
34 of the General Statutes, the Open Meetings Law, and Chapter 132 of
35 the General Statutes, the Public Records Law, and provide for
36 enforcement by the Department. Such procedures may provide for the
37 confidentiality of personnel files that are comparable to Article 7 of
38 Chapter 126 of the General Statutes."
39

40 PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

41 PLANT INDUSTRY DIVISION-PLANT CONSERVATION PROGRAM

42 **SECTION 11.1.** From funds that are deposited with the State Treasurer
43 pursuant to G.S. 146-30 to the credit of the Department of Agriculture and Consumer
44 Services in a capital improvement account, the sum of thirty thousand dollars (\$30,000)
45 for the 2007-2008 fiscal year shall be transferred to the Department of Agriculture and
46 Consumer Services to be used, notwithstanding G.S. 146-30, by the Department for its
47 plant conservation program under Article 19B of Chapter 106 of the General Statutes
48 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title
49 searches, environmental studies, and for the management of plant conservation program
50 preserves owned by the Department.
51

52 SALE OF TIMBER

53 **SECTION 11.2.** G.S. 143-64.05(a) reads as rewritten:
54

"(a) The State agency for surplus property may assess and collect a service charge for the acquisition, receipt, warehousing, distribution, or transfer of any State surplus property and for the transfer or sale of recyclable material. The service charge authorized by this subsection does not apply to the transfer or sale of timber on land owned by the Wildlife Resources ~~Commission~~, or the Department of Agriculture and Consumer Services."

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

MINING PERMIT APPLICATION REVIEW FEE

SECTION 12.1. G.S. 74-54.1 read as rewritten:

"§ 74-54.1. Permit fees.

(a) ~~The Commission may establish a~~The fee schedule for the processing of permit applications and permit renewals and ~~modifications~~. modifications is as follows:

	<u>0-25 acres</u>	<u>26+ acres</u>
<u>New Permit Applications</u>	<u>\$3,750.00</u>	<u>\$5,000.00</u>
<u>Permit Modifications</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Permit Renewals</u>	<u>\$750.00</u>	<u>\$1,000.00</u>
<u>Transfers</u>	<u>\$100.00</u>	<u>\$100.00</u>

On January 1 of each year, the fees shall be adjusted for inflation. The inflation adjustment shall be the increase each year by the percentage, if any, by which the Consumer Price Index for the most recent calendar year ending before the beginning of such year exceeds the Consumer Price Index for the previous year. The Consumer Price Index for all-urban consumers published by the US Department of Labor, as of the close of the 12-month period ending on August 31 of each calendar year. The resulting fees shall be rounded to the nearest ten-dollar (\$10.00) increment. The fees may vary on the basis of the acreage, size, and nature of the proposed or permitted operations or modifications. In establishing the fee schedule, the Commission shall consider the administrative and personnel costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance activities and safeguards to prevent unusual fee assessments that would impose a serious economic burden on an individual applicant or a class of applicants.

(b) ~~The total amount of permit fees collected for any fiscal year may not exceed one-third of the total personnel and administrative costs incurred by the Department for processing applications for permits and permit renewals and modifications and for related compliance costs in the prior fiscal year. A fee for an application for a new permit may not exceed two thousand five hundred dollars (\$2,500), and a fee for an application to renew or modify a permit may not exceed five hundred dollars (\$500.00).~~ The Mining Account is established as a nonreverting account within the Department. Fees collected under this section shall be credited to the Mining Account and shall be applied to the costs of administering this Article.

(c) The Department shall annually report on or before 1 September to the Environmental Review Commission on the cost of implementing this Article. The report shall include the fees established, collected, and disbursed under this section and any other information requested by the General Assembly or the Commission."

MODIFY THE COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK FEES AND PROGRAM

SECTION 12.2.(a) G.S. 143-215.94C (a) reads as rewritten:

"(a) For purposes of this subsection, each compartment of a commercial underground storage tank that is designed to independently contain a petroleum product

1 is a separate petroleum commercial underground storage tank. The owner or operator of
2 a commercial petroleum underground storage tank shall pay to the Secretary for deposit
3 into the Commercial Fund an annual operating fee ~~according to the following~~
4 ~~schedule~~ of four hundred fifty dollars (\$450.00).

5 (1) For each petroleum commercial underground storage tank of 3,500
6 gallons or less capacity – two hundred dollars (\$200.00).

7 (2) For each petroleum commercial underground storage tank of more
8 than 3,500 gallon capacity – three hundred dollars (\$300.00)."

9 **SECTION 12.2.(b)** G.S. 143-215.94B is amended by adding a new
10 subsection to read:

11 "(g) The Commercial Fund may be used to support the administrative functions of
12 the UST program up to the amounts allowed by law, which amounts may be changed
13 from time to time. In the case of a legislated increase or decrease in salaries and
14 benefits, the administrative allowance existing at the time of the increase or decrease
15 shall be correspondingly increased or decreased an amount equal to the legislated
16 increase or decrease in salaries and benefits."

17 **SECTION 12.2.(c)** G.S. 143-215.94D is amended by adding a new
18 subsection to read:

19 "(g) The Noncommercial Fund may be used to support the administrative
20 functions of the UST program up to the amounts allowed by law, which amounts may
21 be changed from time to time. In the case of a legislated increase or decrease in salaries
22 and benefits, the administrative allowance existing at the time of the increase or
23 decrease shall be correspondingly increased or decreased an amount equal to the
24 legislated increase or decrease in salaries and benefits."

25 26 **SOLID WASTE MANAGEMENT FACILITY PERMIT FEES AND ANNUAL** 27 **FEES**

28 **SECTION 12.3.(a)** Article 9 of Chapter 130A of the General Statutes is
29 amended by adding a new section to read:

30 **"§ 130A-293.1. Fees applicable to permits for solid waste management facilities.**

31 (a) It is the intent of the General Assembly that the fees collected pursuant to this
32 section shall be used to support the Department's solid waste management program.

33 (b) The Solid Waste Management Account is established as a non-reverting
34 account within the Department. All fees collected under this section shall be credited to
35 the Account and shall be used for personnel and other resources necessary to do any one
36 or more of the following:

37 (1) Provide a high level of professional review of permit applications for
38 solid waste landfills and other solid waste management facilities;

39 (2) Provide timely review of permit applications;

40 (3) Improve monitoring of solid waste management facilities;

41 (4) Increase compliance activities related to solid waste management
42 facilities; and

43 (5) Review and update rules governing the construction and operation of
44 solid waste landfills to recognizing advances in technology and
45 research to better protect public health and the environment.

46 (c) Applicants for permits shall pay an application fee according to the following
47 schedule:

48 (1) Municipal Solid Waste Landfill accepting less than 100,000 tons/year
49 of solid waste – New Permit – \$25,000

50 (2) Municipal Solid Waste Landfill accepting less than 100,000 tons/year
51 of solid waste – Amendment – \$15,000

52 (3) Municipal Solid Waste Landfill accepting less than 100,000 tons/year
53 of solid waste – Modification – \$1,500

54 (4) Municipal Solid Waste Landfill accepting 100,000 tons/year or more
55 of solid waste – New Permit – \$50,000

- 1 (5) Municipal Solid Waste Landfill accepting 100,000 tons/year or more
2 of solid waste – Amendment – \$30,000
- 3 (6) Municipal Solid Waste Landfill accepting 100,000 tons/year or more
4 of solid waste – Modification – \$3,000
- 5 (7) Construction and Demolition Landfill accepting less than 100,000
6 tons/year of solid waste – New Permit – \$15,000
- 7 (8) Construction and Demolition Landfill accepting less than 100,000
8 tons/year of solid waste – Amendment – \$9,000
- 9 (9) Construction and Demolition Landfill accepting less than 100,000
10 tons/year of solid waste – Modification – \$1,500
- 11 (10) Construction and Demolition Landfill accepting 100,000 tons/year or
12 more of solid waste – New Permit – \$30,000
- 13 (11) Construction and Demolition Landfill accepting 100,000 tons/year or
14 more of solid waste – Amendment – \$18,500
- 15 (12) Construction and Demolition Landfill accepting 100,000 tons/year or
16 more of solid waste – Modification – \$2,500
- 17 (13) Industrial Landfill accepting less than 100,000 tons/year of solid waste
18 – New Permit – \$15,000
- 19 (14) Industrial Landfill accepting less than 100,000 tons/year of solid waste
20 – Amendment – \$9,000
- 21 (15) Industrial Landfill accepting less than 100,000 tons/year of solid waste
22 – Modification – \$1,500
- 23 (16) Industrial Landfill accepting 100,000 tons/year or more of solid waste
24 – New Permit – \$30,000
- 25 (17) Industrial Landfill accepting 100,000 tons/year or more of solid waste
26 – Amendment – \$18,500
- 27 (18) Industrial Landfill accepting 100,000 tons/year or more of solid waste
28 – Modification – \$2,500
- 29 (19) Tire Monofill – New Permit – \$1,750
- 30 (20) Tire Monofill – Amendment – \$1,250
- 31 (21) Tire Monofill – Modification – \$500
- 32 (22) Treatment and Processing New Permit – \$1,750
- 33 (23) Treatment and Processing Amendment – \$1,250
- 34 (24) Treatment and Processing Modification – \$500
- 35 (25) Transfer Stations New Permit – \$5,000
- 36 (26) Transfer Stations Amendment – \$3,000
- 37 (27) Transfer Station Modification – \$500
- 38 (28) Incinerator New Permit – \$1,750
- 39 (29) Incinerator Amendment – \$1,250
- 40 (30) Incinerator Modification – \$500
- 41 (31) Large Compost Facility New Permit – \$1,750
- 42 (32) Large Compost Facility Amendment – \$1,250
- 43 (33) Large Compost Facility Modification – \$500
- 44 (34) Land Clearing and Inert New Permit – \$1,000
- 45 (35) Land Clearing and Inert Amendment – \$500
- 46 (36) Land Clearing and Inert Modification – \$250
- 47 (d) The application permit fee under this section shall be paid upon submission of
48 the permit application.
- 49 (e) A permitted solid waste management facility shall pay an annual permit fee
50 on or before August 1 of each year according to the following schedule:
 - 51 1. Municipal Solid Waste Landfill – \$3,500
 - 52 2. Post Closure Municipal Solid Waste Landfill – \$1,000
 - 53 3. Construction and Demolition Landfill – \$2,750
 - 54 4. Post Closure Construction and Demolition Landfill – \$500
 - 55 5. Industrial Landfill – \$2750

- 1 6. Post Closure Industrial Landfill – \$500
 2 7. Transfer Station – \$750
 3 8. Treatment and Processing Facility – \$500
 4 9. Tire Monofill – \$500
 5 10. Incinerators – \$500
 6 11. Large Compost Facility – \$500
 7 12. Land Clearing and Inert Debris Landfill – \$500

8 (f) As used in this section, the following definitions apply:

9 (1) 'New permit' means all of the following:

- 10 a. An application for a new solid waste management facility not
 11 previously permitted by the Department. It includes one site
 12 suitability review, the initial permit to construct, and one permit
 13 to operate the constructed portion of a phase included in the
 14 permit to construct.
 15 b. An application that proposes to expand the boundary of a
 16 permitted waste management facility for the purpose of
 17 expanding the permitted activity.
 18 c. Any application that includes a proposed expansion to the
 19 boundary of a waste disposal unit within an existing permitted
 20 solid waste management facility.
 21 d. An application for a substantial amendment to a solid waste
 22 permit, as defined in G.S. 130A- 294(b1).

23 (2) 'Permit amendment' means all of the following:

- 24 a. An application for a permit to construct and one permit to
 25 operate for the second and subsequent phases of landfill
 26 development depicted in the approved facility plan for an
 27 existing solid waste management permit.
 28 b. An application for a renewal or a permit review every five years
 29 after issuance of the existing solid waste management facility
 30 permit, as required by rule.
 31 c. Any application that proposes a change in ownership or
 32 corporate structure of a permitted solid waste management
 33 facility.

34 (3) 'Permit modification' means all of the following:

- 35 a. An application for any change to the plans approved in the
 36 existing permit for a solid waste management facility that does
 37 not constitute a 'permit amendment' or a 'new permit'.
 38 b. A second or subsequent permit to operate for a constructed
 39 portion of a phase included in the permit to construct."

41 WATER QUALITY PERMIT FEES

42 SECTION 12.4.(a) G.S. 143-215.3D reads as rewritten:

43 "§ 143-215.3D. **Fee schedule for water quality permits.**

44 (a) Annual fees for discharge and nondischarge permits under G.S. 143-215.1. –

- 45 (1) Major Individual NPDES Permits. – The annual fee for an individual
 46 permit for a point source discharge of 1,000,000 or more gallons per
 47 day, a publicly owned treatment works (POTW) that administers a
 48 POTW pretreatment program, as defined in 40 Code of Federal
 49 Regulations § 403.3 (1 July 1996 Edition), or an industrial waste
 50 treatment works that has a high toxic pollutant potential shall be ~~two~~
 51 ~~thousand eight hundred sixty five dollars (\$2,865).~~ three thousand four
 52 hundred forty dollars (\$3,440).
 53 (2) Minor Individual NPDES Permits. – The annual fee for an individual
 54 permit for a point source discharge other than a point source discharge
 55 to which subdivision (1) of this subsection applies shall be ~~seven~~

- 1 ~~hundred fifteen dollars (\$715.00)~~ eight hundred sixty dollars
2 ~~(\$860.00).~~
- 3 (3) Single-Family Residence. – The annual fee for a certificate of
4 coverage under a general permit for a point source discharge or an
5 individual nondischarge permit from a single-family residence shall be
6 ~~fifty dollars (\$50.00)~~ sixty dollars (\$60.00).
- 7 (4) Stormwater and Wastewater Discharge General Permits. – The annual
8 fee for a certificate of coverage under a general permit for a point
9 source discharge of stormwater or wastewater shall be ~~eighty dollars~~
10 ~~(\$80.00)~~ one hundred dollars (\$100.00).
- 11 (5) Recycle Systems. – The annual fee for an individual permit for a
12 recycle system nondischarge permit shall be ~~three hundred dollars~~
13 ~~(\$300.00)~~ three hundred sixty dollars (\$360.00).
- 14 (6) Major Nondischarge Permits. – The annual fee for an individual permit
15 for a nondischarge of 10,000 or more gallons per day or requiring 300
16 or more acres of land shall be ~~one thousand ninety dollars (\$1,090)~~ one
17 thousand three hundred ten dollars (\$1,310).
- 18 (7) Minor Nondischarge Permits. – The annual fee for an individual
19 permit for a nondischarge of less than 10,000 gallons per day or
20 requiring less than 300 acres of land shall be ~~six hundred seventy five~~
21 ~~dollars (\$675.00)~~ eight hundred ten dollars (\$810.00).
- 22 (8) Animal Waste Management Systems. – The annual fee for animal
23 waste management systems shall be as set out in G.S. 143-215.10G.
- 24 (b) Application fee for new discharge and nondischarge permits. – An
25 application for a new permit of the type set out in subsection (a) of this section shall be
26 accompanied by an initial application fee equal to the annual fee for that permit. If a
27 permit is issued, the application fee will be applied as the annual fee for the first year
28 that the permit is in effect. If the application is denied, the application fee shall not be
29 refunded.
- 30 (c) Application and annual fees for consent special orders. –
- 31 (1) Major Consent Special Orders. – If the Commission enters into a
32 consent special order, assurance of voluntary compliance, or similar
33 document pursuant to G.S. 143-215.2 for an activity subject to an
34 annual fee under subdivision (1) or (6) of subsection (a) of this section,
35 the initial project fee shall be four hundred dollars (\$400.00) and the
36 annual fee shall be five hundred dollars (\$500.00). These fees shall be
37 in addition to the annual fee due under subsection (a) of this section.
- 38 (2) Minor Consent Special Orders. – If the Commission enters into a
39 consent special order, assurance of voluntary compliance, or similar
40 document pursuant to G.S. 143-215.2 for an activity subject to an
41 annual fee under subdivision (2) or (7) of subsection (a) of this section,
42 the initial project fee shall be four hundred dollars (\$400.00) and the
43 annual fee shall be two hundred fifty dollars (\$250.00). These fees
44 shall be in addition to the annual fee due under subsection (a) of this
45 section.
- 46 (d) Fee for major permit modifications. – An application for a major modification
47 of a permit of the type set out in subsection (a) of this section shall be accompanied by
48 an application fee equal to thirty percent (30%) of the annual fee applicable to that
49 permit. A major modification of a permit is any modification that would allow an
50 increase in the volume or pollutant load of the discharge or nondischarge or that would
51 result in a significant relocation of the point of discharge, as determined by the
52 Commission. This fee shall be in addition to the fees due under subsections (a) and (c)
53 of this section. If the application is denied, the application fee shall not be refunded.
- 54 (e) Other fees under this Article. –

- 1 (1) Sewer System Extension Permits. – The application fee for a permit
2 for the construction of a new sewer system or for the extension of an
3 existing sewer system shall be ~~four hundred dollars (\$400.00).~~four
4 hundred eighty dollars (\$480.00).
- 5 (2) State Stormwater Permits. – The application fee for a permit regulating
6 stormwater runoff under G.S. 143-214.7 and G.S. 143-215.1 shall be
7 ~~four hundred twenty dollars (\$420.00).~~five hundred five dollars
8 (\$505.00).
- 9 (3) Major Water Quality Certifications. – The fee for a water quality
10 certification involving one acre or more of wetland fill or 150 feet or
11 more of stream impact shall be ~~four hundred seventy five dollars~~
12 ~~(\$475.00).~~five hundred seventy dollars (\$570.00).
- 13 (4) Minor Water Quality Certifications. – The fee for a water quality
14 certification involving less than one acre of wetland fill or less than
15 150 feet of stream impact shall be ~~two hundred dollars (\$200.00).~~two
16 hundred forty dollars (\$240.00).
- 17 (5) Permit for Land Application of Petroleum Contaminated Soils. – The
18 fee for a permit to apply petroleum contaminated soil to land shall be
19 ~~four hundred dollars (\$400.00).~~four hundred eighty dollars (\$480.00).
- 20 (6) Fee Nonrefundable. – If an application for a permit or a certification
21 described in this subsection is denied, the application or certification
22 fee shall not be refunded.
- 23 (7) Limit Water Quality Certification Fee Required for CAMA Permit. –
24 An applicant for a permit under Article 7 of Chapter 113A of the
25 General Statutes for which a water quality certification is required
26 shall pay a fee established by the Secretary. The Secretary shall not
27 establish a fee that exceeds the greater of the fee for a permit under
28 Article 7 of Chapter 113A of the General Statutes or the fee for a water
29 quality certification under subdivision (3) or (4) of this subsection.
- 30 (f) Local Government Fee Authority Not Impaired. – This section shall not be
31 construed to limit any authority that a unit of local government may have pursuant to
32 any other provision of law to assess or collect a fee for the review of an application for a
33 permit, the review of a mitigation plan, or the inspection of a site or a facility under any
34 local program that is approved by the Commission under this Article.
- 35 (g) Other, pertaining to fees under this Article. – The water quality permit fees
36 shall be increased each calendar year by the percentage, if any, by which the General
37 Assembly has granted an employee compensation increase for that fiscal year."

38 **SECTION 12.4.(b)** G.S. 143-215.10G reads as rewritten:

39 **"§ 143-215.10G. Fees for animal waste management systems.**

40 (a) The Department shall charge an annual permit fee to an animal operation that
41 is subject to a permit under G.S. 143-215.10C for an animal waste management system
42 according to the following schedule:

- 43 (1) For a system with a design capacity of 38,500 or more and less than
44 100,000 pounds steady state live weight, ~~fifty dollars (\$50.00).~~sixty
45 dollars (\$60.00).
- 46 (2) For a system with a design capacity of 100,000 or more and less than
47 800,000 pounds steady state live weight, ~~one hundred fifty dollars~~
48 ~~(\$150.00).~~one hundred eighty dollars (\$180.00).
- 49 (3) For a system with a design capacity of 800,000 pounds or more steady
50 state live weight, ~~three hundred dollars (\$300.00).~~three hundred sixty
51 dollars (\$360.00).

52 (a1) The Department shall charge an annual permit fee to a dry litter poultry
53 facility that is subject to a permit under G.S. 143-215.10C for an animal waste
54 management system according to the following schedule:

- 1 (1) For a system with a permitted capacity of less than 25,000 laying
2 chickens, less than 37,500 nonlaying chickens, or less than 16,500
3 turkeys, ~~fifty dollars (\$50.00)~~, sixty dollars (\$60.00).
- 4 (2) For a system with a permitted capacity of 25,000 or more but less than
5 200,000 laying chickens, 37,500 or more but less than 290,000
6 nonlaying chickens, 16,500 or more but less than 133,000 turkeys, ~~one
7 hundred fifty dollars (\$150.00)~~, one hundred eighty dollars (\$180.00).
- 8 (3) For a system with a permitted capacity of more than 200,000 laying
9 chickens, more than 290,000 nonlaying chickens, or more than
10 133,000 turkeys, ~~three hundred dollars (\$300.00)~~, three hundred sixty
11 dollars (\$360.00).

12 (b) An application for a new permit under this section shall be accompanied by
13 an initial application fee equal to the annual fee for that permit. If a permit is issued, the
14 application fee will be applied as the annual fee for the first year that the permit is in
15 effect. If the application is denied, the application fee shall not be refunded.

16 (c) Fees collected under this section shall be credited to the Water and Air
17 Quality Account. The Department shall use fees collected pursuant to this section to
18 cover the costs of administering this Part."

19 **SECTION 12.4.(c)** G.S. 90A-42 reads as rewritten:

20 **"§ 90A-42. Fees.**

21 (a) The Commission, in establishing procedures for implementing the
22 requirements of this Article, shall impose the following schedule of fees:

- 23 (1) Examination including Certificate, \$85.00;
24 (2) Temporary Certificate, \$200.00;
25 (3) Temporary Certification Renewal, \$300.00;
26 (4) Conditional Certificate, \$75.00;
27 (5) Repealed by Session Laws 1987, c. 582, s. 3.
28 (6) Reciprocity Certificate, \$100.00;
29 (6a) Voluntary Conversion Certificate, \$50.00;
30 (7) Annual Renewal, ~~\$35.00~~, \$50.00;
31 (8) Replacement of Certificate, \$20.00;
32 (9) Late Payment of Annual Renewal, \$50.00 penalty in addition to all
33 current and past due annual renewal fees plus one hundred dollars
34 (\$100.00) penalty per year for each year for which annual renewal fees
35 were not paid prior to the current year; and
36 (10) Mailing List Charges – The Commission may provide mailing lists of
37 certified water pollution control system operators and of water
38 pollution control system operators to persons who request such lists.
39 The charge for such lists shall be twenty-five dollars (\$25.00) for each
40 such list provided.

41 (b) The Water Pollution Control System Account is established as a nonreverting
42 account within the Department. Fees collected under this section shall be credited to the
43 Account and applied to the costs of administering this Article."
44

45 **STATEWIDE WASTE TIPPING FEE**

46 **SECTION 12.5.** Part 2A of Article 9 of Chapter 130A of the General
47 Statutes is amended by adding a new section to read:

48 **"§ 130A-309.08A. Solid waste disposal fee; use of proceeds.**

49 (a) Fee Imposed. – A fee of two dollars (\$2.00) per ton of waste is imposed on
50 the disposal of municipal solid waste or construction or demolition debris in any landfill
51 permitted pursuant to this Part. A fee of two dollars (\$2.00) per ton of waste is imposed
52 on the transfer of solid waste to a transfer station permitted pursuant to this Part for
53 disposal outside the State.

54 (b) Determination and Payment of Fee. – The owner or operator of each landfill
55 and transfer station permitted pursuant to this Part shall maintain scales, designed to

1 determine waste tonnage, that are approved by the Department of Agriculture and
2 Consumer Services. Each owner or operator shall record waste tonnage at the time the
3 waste is received and calculate and record the fees due under this section for each
4 quarter of the calendar year on forms approved by the Department. Each owner or
5 operator shall provide the completed forms, report the total number of tons of waste
6 received, and pay the fees due for each quarter of the calendar year to the Department
7 no later than the 15th day of the following calendar month. The Department shall credit
8 all fees received pursuant to this section to the Inactive Hazardous Sites Cleanup Fund
9 established by G.S. 130A-310.11.

10 (c) Use of Proceeds. – The Department shall use the proceeds of the fees
11 imposed by this section for the following purposes:

12 (1) Assessment and remediation of orphan landfills.

13 (2) Assessment and remediation of inactive hazardous substance or waste
14 disposal sites for which a private party is or may be responsible if the
15 private party cannot be identified or located or if the private party is
16 unable or refuses to assume responsibility for the assessment or
17 remediation.

18 (3) Up to fifteen percent (15%) of the proceeds may be used to fund staff
19 to administer contracts for the assessment and remediation of orphan
20 landfills and of inactive hazardous substance or waste disposal sites
21 pursuant to subdivisions (1) and (2) of this subsection.

22 (4) Up to ten percent (10%) of the proceeds may be used for grants to
23 units of local government to support redevelopment of brownfields.

24 (5) Up to ten percent (10%) of the proceeds may be used by the
25 Department to provide the State's share of the cost of assessment and
26 remediation of sites in the State that are listed on the federal National
27 Priorities List sites."

28 29 **SEDIMENTATION AND EROSION CONTROL PLAN REVIEW FEE**

30 **SECTION 12.6.** G.S. 113A-54.2(a) reads as rewritten:

31 "(a) ~~The Commission may establish a fee schedule for the review and approval of~~
32 ~~erosion and sedimentation control plans under this Article. In establishing the fee~~
33 ~~schedule, the Commission shall consider the administrative and personnel costs incurred~~
34 ~~by the Department for reviewing the plans and for related compliance activities. An~~
35 ~~application fee may not exceed fifty dollars (\$50.00) of sixty-five dollars (\$65.00) per~~
36 ~~acre of disturbed land shown on an erosion and sedimentation control plan or of land~~
37 ~~actually disturbed during the life of the project. project shall be charged for the review of~~
38 ~~an erosion and sedimentation control plans under this Article."~~

39 40 **MODIFY EXISTING FEE STRUCTURE FOR RADIOACTIVE MATERIAL** 41 **LICENSEES**

42 **SECTION 12.7.** Pursuant to G.S. 104E-19, the Division of Environmental
43 Health, Radiation Protection Section, shall increase the fee structure for radioactive
44 material licensees established in 15A NCAC 11 .1105 to provide sufficient funds to
45 support one additional receipt-supported Health Physicist position and associated
46 operating costs in order to fulfill statutory requirements.

47 48 **PROCEEDS FROM TIME WARNER CABLE LEASE**

49 **SECTION 12.8.** The net proceeds received from Time Warner Cable by the
50 Department of Environment and Natural Resources, Division of Forest Resources, for
51 lease of property at 2600 Howard Road shall be transferred to the Department for
52 deposit into a Capital Improvement account. Funds may be used to construct an
53 equipment storage building and related improvements.

54 55 **PART XIII. DEPARTMENT OF COMMERCE**

REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 13.1.(a) The percentage rate to be used in calculating the public utility regulatory fee under G.S. 62-302(b)(2) is twelve-hundredths of one percent (0.12%) for each public utility's North Carolina jurisdictional revenues earned during each quarter that begins on or after July 1, 2007.

SECTION 13.1.(b) The electric membership corporation regulatory fee imposed under G.S. 62-302(b1) for the 2007-2008 fiscal year is two hundred thousand dollars (\$200,000).

SECTION 13.1.(c) This section becomes effective July 1, 2007.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.2.(a) Funds appropriated to the Department of Commerce for the 2006-2007 fiscal year for the Wanchese Seafood Industrial Park that are unexpended and unencumbered as of June 30, 2007, shall not revert to the General Fund on June 30, 2007, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes, in addition to funds available to the Authority for these purposes. This section becomes effective June 30, 2007.

SECTION 13.2.(b) Funds appropriated to the Department of Commerce for the 2006-2007 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2007, shall not revert to the General Fund on June 30, 2007, but shall remain available to the Department to be expended by the Wanchese Seafood Industrial Park for securing adequate channel maintenance of Oregon Inlet, operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes, in addition to funds available to the Authority for these purposes. This section becomes effective June 30, 2007.

ONE NORTH CAROLINA FUND

SECTION 13.3. Of the funds appropriated in this act to the One North Carolina Fund, the Department of Commerce may use up to three hundred thousand dollars (\$300,000) to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs in 2007-2008 fiscal year.

BIOTECHNOLOGY CENTER

SECTION 13.4.(a) The North Carolina Biotechnology Center shall recapture funds spent in support of successful research and development efforts in the for-profit private sector.

SECTION 13.4.(b) The North Carolina Biotechnology Center shall provide funding for biotechnology, biomedical, and related bioscience applications under its Business and Science Technology Programs.

SECTION 13.4.(c) The North Carolina Biotechnology Center shall:

(1) By January 15, 2008, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

- a. State fiscal year 2006-2007 program activities, objectives, and accomplishments;
- b. State fiscal year 2006-2007 itemized expenditures and fund sources;
- c. State fiscal year 2006-2007 planned activities, objectives, and accomplishments, including actual results through December 31, 2007; and

- 1 d. State fiscal year 2006-2007 estimated itemized expenditures
2 and fund sources, including actual expenditures and fund
3 sources through December 31, 2007.
- 4 (2) By January 15, 2009, and more frequently as requested, report to the
5 Joint Legislative Commission on Governmental Operations and the
6 Fiscal Research Division the following information:
- 7 a. State fiscal year 2007-2008 program activities, objectives, and
8 accomplishments;
- 9 b. State fiscal year 2007-2008 itemized expenditures and fund
10 sources;
- 11 c. State fiscal year 2007-2008 planned activities, objectives, and
12 accomplishments, including actual results through December
13 31, 2008; and
- 14 d. State fiscal year 2007-2008 estimated itemized expenditures
15 and fund sources, including actual expenditures and fund
16 sources through December 31, 2008.
- 17 (3) Provide to the Fiscal Research Division a copy of the organization's
18 annual audited financial statement within 30 days of issuance of the
19 statement.

20 **SECTION 13.4.(d)** The North Carolina Biotechnology Center shall provide
21 a report containing detailed budget, personnel, and salary information to the Office of
22 State Budget and Management and to the Fiscal Research Division in the same manner
23 as State departments and agencies in preparation for biennium budget requests.
24

25 **ADVANCED VEHICLE RESEARCH CENTER /FUNDS SHALL NOT REVERT**

26 **SECTION 13.5.(a)** Funds appropriated to the Advanced Vehicle Research
27 Center, Inc., from the 2005-2006 through 2006-2007 fiscal years that are unexpended
28 and unencumbered as of June 30, 2007, shall not revert to the General Fund on June 30,
29 2007, but shall remain available at the Department of Commerce.

30 **SECTION 13.5.(b)** Of the funds appropriated to the Advanced Vehicle
31 Research Center from the last biennium, the Department of Commerce, with approval
32 from the Office of State Budget and Management, may subject to subsection (b1) of this
33 section, transfer remaining appropriated funds to the Advanced Vehicle Research
34 Center of North Carolina, Inc., (Center) when the Office of State Budget and
35 Management, in consultation with the Department of Commerce, determines the Center
36 has completed goals and projects consistent with the Center's business plan. The goals
37 and projects shall include the following:

- 38 (1) The Center has obtained legal title to the property on which the
39 Advanced Vehicle Research Center will be built.
- 40 (2) The Center has determined and provided for the critical infrastructure
41 needed to support the Advanced Vehicle Research Center.
- 42 (3) The Center has entered into a contract for the use and operation of a
43 testing facility that will create new private sector jobs in Tier 1 or Tier
44 2 counties.

45 **SECTION 13.5.(c)** No funds shall be released by the Office of State Budget
46 and Management under subsection (b) of this section until a board of directors of the
47 Center consisting of no fewer than five members representing five different
48 organizations is appointed and operating.

49 The Center shall file with the Department of Commerce a copy of the
50 Center's policy addressing conflicts of interest that may arise involving the Center's
51 management employees and the members of its board of directors or other governing
52 body before funds may be allocated to the Center. The policy shall address situations in
53 which any of these individuals may directly or indirectly benefit, except as the Center's
54 employees or members of the board or other governing body, from the Center's

1 disbursing of State funds, and shall include actions to be taken by the entity or the
2 individual, or both, to avoid conflicts of interest and the appearance of impropriety.

3 By December 31, 2007, and April 30, 2008, the Center shall report to the
4 Governor, the Joint Legislative Commission on Governmental Operations, and the
5 Fiscal Research Division the following information: (i) fiscal year 2006-2007 projects,
6 objectives, and accomplishments; and (ii) fiscal year 2006-2007 itemized expenditures
7 and fund sources. The April 30, 2008, report shall also contain the following: (i) fiscal
8 year 2008-2009 planned projects, objectives, and accomplishments; and (ii) fiscal year
9 2008-2009 estimated expenditures and fund sources.

10 The Center shall provide to the Governor, the Joint Legislative Commission
11 on Governmental Operations, and the Fiscal Research Division: (i) a copy of the
12 Center's annual audited financial statement within 30 days of issuance of the statement;
13 and (ii) a copy of the Center's IRS Form 990.

14 The Center shall provide a report containing detailed budget information to
15 the Office of State Budget and Management in the same manner as State departments
16 and agencies in preparation for biennium budget requests. Specific salary information
17 will be provided upon written request by the Chairmen of the Joint Legislative
18 Commission on Governmental Operations or the Chairmen of the House Appropriations
19 Committee on Environment, Health, and Natural Resources and the Chairman of the
20 Senate Appropriations Committee on Natural and Economic Resources.

21 ABC COMMISSION

22 **SECTION 13.6.** G.S. 18B-208(b) reads as rewritten:

23 "(b) Special Fund. – A special fund in the office of the State Treasurer, the ABC
24 Commission Fund, is created. On and after November 1, 1982, all moneys derived from
25 the collection of bailment charges and bailment surcharges shall be deposited in the
26 ABC Commission Fund for the purpose of carrying out the provisions of this Chapter.
27 The Commission shall fix the level of the bailment surcharges at an amount calculated
28 to cover operating expenses of the Commission, capital improvements to the
29 Commission warehouse and offices, and the retirement of any bonds issued for capital
30 improvements. The ABC Commission Fund shall be subject to the provisions of the
31 Executive Budget Act except that no unexpended surplus of this fund shall revert to the
32 General Fund. Fund, but shall remain available to the ABC Commission to be expended
33 for capital improvements to the Commission warehouse and offices and the retirement
34 of any bonds issued for capital improvements. ~~The Commission shall fix the level of the~~
35 ~~bailment surcharges at an amount calculated to cover operating expenses of the~~
36 ~~Commission and the retirement of bonds issued for construction of a Commission~~
37 ~~warehouse and offices.~~ Upon payment of the bonds issued pursuant to this section, the
38 Commission shall reduce the bailment surcharge to an amount no greater than necessary
39 to pay operating expenses of the Commission as authorized by the General Assembly.

40 All moneys credited to the ABC Commission Fund shall be used to carry out the
41 intent and purposes of the ABC law in accordance with plans approved by the North
42 Carolina ABC Commission and the Director of the Budget, and all these funds are
43 appropriated, reserved, set aside, and made available until expended for the
44 administration of the ABC law."
45

46 PART XIV. ADMINISTRATIVE OFFICE OF THE COURTS

47 TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

48 **SECTION 14.1.** Funds appropriated to the Administrative Office of the
49 Courts in the 2007-2009 biennium for equipment and supplies shall be certified in a
50 reserve account. The Administrative Office of the Courts may transfer these funds to the
51 appropriate programs and between programs as the equipment priorities and supply
52 consumptions occur during the operating year. These funds shall not be expended for
53 any other purpose.
54
55

FEDERAL GRANT FUNDS

SECTION 14.2. The Administrative Office of the Courts may use up to the sum of one million five hundred thousand dollars (\$1,500,000) from funds available to the department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

PART XV. DEPARTMENT OF CORRECTION**FEDERAL GRANT MATCHING FUNDS**

SECTION 15.1. Notwithstanding the provisions of G.S. 148-2, the Department of Correction may use up to the sum of one million two hundred thousand dollars (\$1,200,000) in the 2007-2008 fiscal year and up to the sum of one million two hundred thousand dollars (\$1,200,000) in the 2008-2009 fiscal year from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

MEDIUM CUSTODY ROAD CREW COMPENSATION

SECTION 15.2.(a) Of funds appropriated to the Department of Transportation by this act, the sum of ten million dollars (\$10,000,000) per year shall be transferred by the Department to the Department of Correction during the 2007-2008 and 2008-2009 fiscal years for the actual costs of highway-related labor performed by medium-custody prisoners, as authorized by G.S. 148-26.5. This transfer shall be made quarterly in the amount of two million five hundred thousand dollars (\$2,500,000). The Department of Transportation may use funds appropriated by this act to pay an additional amount exceeding the ten million dollars (\$10,000,000), but those payments shall be subject to negotiations among the Department of Transportation, the Department of Correction, and the Office of State Budget and Management prior to payment by the Department of Transportation.

SECTION 15.2.(b) The Department of Correction may use up to 39 work crews for Department of Transportation litter control projects. The Department of Transportation shall transfer at least one million three hundred thousand dollars (\$1,300,000) per year from the Highway Fund to the Department of Correction during the 2007-2008 and 2008-2009 fiscal years to cover the cost of those work crews. Should the two departments determine that the actual cost of operating 39 work crews exceeds that amount, the Department of Transportation shall transfer an additional amount as agreed upon by the two departments and the Office of State Budget and Management.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 15.3. Funds appropriated in this act to the Department of Correction for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly in this act. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new facilities are within 180 days of projected completion, except for certain management, security, and support positions necessary to prepare the facility for opening, as authorized in the budget approved by the General Assembly.

USE OF CLOSED PRISON FACILITIES

1 **SECTION 15.4.** In conjunction with the closing of prison facilities,
2 including small expensive prison units recommended for consolidation by the
3 Government Performance Audit Committee, the Department of Correction shall consult
4 with the county or municipality in which the unit is located, with the elected State and
5 local officials, and with State agencies about the possibility of converting that unit to
6 other use. The Department may also consult with any private for-profit or nonprofit firm
7 about the possibility of converting the unit to other use. In developing a proposal for
8 future use of each unit, the Department shall give priority to converting the unit to other
9 criminal justice use. Consistent with existing law and the future needs of the
10 Department of Correction, the State may provide for the transfer or the lease of any of
11 these units to counties, municipalities, State agencies, or private firms wishing to
12 convert them to other use. The Department of Correction may also consider converting
13 some of the units recommended for closing from one security custody level to another,
14 where that conversion would be cost-effective. A prison unit under lease to a county
15 pursuant to the provisions of this section for use as a jail is exempt for the period of the
16 lease from any of the minimum standards adopted by the Secretary of Health and
17 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
18 would subject the unit to greater standards than those required of a unit of the State
19 prison system.

20 Prior to any transfer or lease of these units, the Department of Correction
21 shall report on the terms of the proposed transfer or lease to the Joint Legislative
22 Commission on Governmental Operations and the Joint Legislative Corrections, Crime
23 Control, and Juvenile Justice Oversight Committee. The Department of Correction shall
24 also provide annual summary reports to the Joint Legislative Commission on
25 Governmental Operations and the Joint Legislative Corrections, Crime Control, and
26 Juvenile Justice Oversight Committee on the conversion of these units to other use and
27 on all leases or transfers entered into pursuant to this section.
28

29 **ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT**

30 **SECTION 15.5.** The Department of Correction may continue to contract
31 with Energy Committed To Offenders, Inc., for the purchase of prison beds for
32 minimum security female inmates during the 2007-2008 and 2008-2009 fiscal years.
33 Energy Committed To Offenders, Inc., shall report by February 1 of each year to the
34 Joint Legislative Commission on Governmental Operations on the annual cost per
35 inmate and the average daily inmate population compared to bed capacity using the
36 same methodology as that used by the Department of Correction.
37

38 **CRIMINAL JUSTICE PARTNERSHIP PROGRAM**

39 **SECTION 15.6.** Notwithstanding the provisions of G.S. 143B-273.15
40 specifying that grants to participating counties are for the full fiscal year and that
41 unobligated funds are returned to the State-County Criminal Justice Partnership
42 Account at the end of the grant period, the Department of Correction may reallocate
43 unspent or unclaimed funds distributed to counties participating in the State-County
44 Criminal Justice Partnership Program in an effort to maintain the level of services
45 realized in previous fiscal years.
46

47 **REPORTS ON NONPROFIT PROGRAMS**

48 **SECTION 15.7.(a)** Funds appropriated in this act to the Department of
49 Correction to support the programs of Harriet's House may be used for program
50 operating costs, the purchase of equipment, and the rental of real property to serve
51 women released from prison with children in their custody. Harriet's House shall report
52 by February 1 of each year to the Joint Legislative Commission on Governmental
53 Operations, Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
54 Committee, and the Chairs of the House of Representatives and Senate Appropriations
55 Subcommittees on Justice and Public Safety on the expenditure of State appropriations

1 and on the effectiveness of the program, including information on the number of clients
2 served, the number of clients who successfully complete the Harriet's House program,
3 and the number of clients who have been rearrested within three years of successfully
4 completing the program. The report shall provide financial and program data for the
5 complete fiscal year prior to the year in which the report is submitted. The financial
6 report shall identify all funding sources and amounts.

7 **SECTION 15.7.(b)** Summit House shall report by February 1 of each year to
8 the Joint Legislative Commission on Governmental Operations, Joint Legislative
9 Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Chairs
10 of the House of Representatives and Senate Appropriations Subcommittees on Justice
11 and Public Safety on the expenditure of State appropriations and on the effectiveness of
12 the program, including information on the number of clients served, the number of
13 clients who have had their probation revoked, the number of clients who successfully
14 complete the program while housed at Summit House, Inc., and the number of clients
15 who have been rearrested within three years of successfully completing the program.
16 The report shall provide financial and program data for the complete fiscal year prior to
17 the year in which the report is submitted. The financial report shall identify all funding
18 sources and amounts.

19 **SECTION 15.7.(c)** Women at Risk shall report by February 1 of each year
20 to the Joint Legislative Commission on Governmental Operations, Joint Legislative
21 Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Chairs
22 of the House of Representatives and Senate Appropriations Subcommittees on Justice
23 and Public Safety on the expenditure of State funds and on the effectiveness of the
24 program, including information on the number of clients served, the number of clients
25 who have had their probation revoked, the number of clients who have successfully
26 completed the program, and the number of clients who have been rearrested within three
27 years of successfully completing the program. The report shall provide financial and
28 program data for the complete fiscal year prior to the year in which the report is
29 submitted. The financial report shall identify all funding sources and amounts.

30 **SECTION 15.7.(d)** Our Children's Place shall report by February 1, 2008, to
31 the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight
32 Committee, and the Chairs of the House of Representatives and Senate Appropriations
33 Subcommittees on Justice and Public Safety on the status of the planning, design, and
34 construction of Our Children's Place, the proposed program components and evaluation
35 measures, and on the projected number of inmates and their children to be served. The
36 report shall also provide financial data, including the expenditure of State funds and all
37 funding sources and amounts.

38 **PART XVI. DEPARTMENT OF ADMINISTRATION**

39 **REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR** 40 **PERSONS WITH DISABILITIES**

41 **SECTION 16.1.** Part 14A of Article 9 of Chapter 143B of the General
42 Statutes is repealed.

43 **SECTION 16.2.** Pursuant to the Developmental Disabilities Assistance and
44 Bill of Rights Act, the Governor shall redesignate the operation and function of the
45 Governor's Advocacy Council for Persons with Disabilities from the Department of
46 Administration to a nongovernmental entity. The Governor shall follow the federal
47 statutory procedure for redesignation found at 45 C.F.R. § 1386.20, with a target
48 transfer date of July 1, 2007.

49 **PART XVII. OFFICE OF STATE BUDGET AND MANAGEMENT**

50 **MODIFY STATE FIRE PROTECTION GRANT FUND**

51 **SECTION 17.1.** G. S. 58-85A-1(c) reads as rewritten:
52
53
54
55

1 "(c) It is the intent of the General Assembly to appropriate annually to the State
2 Fire Protection Grant Fund ~~at least three million eighty thousand dollars (\$3,080,000)~~
3 up to four million eight hundred thousand dollars (\$4,800,000) from the General Fund,
4 ~~one hundred fifty thousand dollars (\$150,000) one hundred fifty-eight thousand dollars~~
5 ~~(\$158,000)~~ from the Highway Fund, and ~~nine hundred seventy thousand dollars~~
6 ~~(\$970,000) one million three hundred forty-five thousand dollars (\$1,345,000)~~ from
7 University of North Carolina receipts. Funds received from the General Fund shall be
8 allocated only for providing local fire protection for State-owned property supported by
9 the General Fund; funds received from the Highway Fund shall be allocated only for
10 providing local fire protection for State-owned property supported by the Highway
11 Fund; and funds received from University of North Carolina receipts shall be allocated
12 only for providing local fire protection for State-owned property supported by
13 University of North Carolina receipts."
14

15 **GEOGRAPHICAL INFORMATION SYSTEMS (GIS) STUDY**

16 **SECTION 17.2.(a)** The Office of State Budget and Management (OSBM),
17 in consultation with the Center for Geographic Information and Analysis (CGIA), the
18 State Chief Information Officer, and the chair of the Geographic Information
19 Coordinating Council (GICC), shall conduct a study to identify the development and
20 use of Geographical Information Systems (GIS) in North Carolina by State agencies.
21 The study shall identify the purpose of each system; any duplication of effort across
22 agencies, including local governments and federal agencies; the completeness,
23 timeliness, and accessibility of the data developed and used by the systems; the cost and
24 actual staffing for each system; the organizational location of each system; the hardware
25 and software inventories associated with each system. The study shall also assess the
26 current and potential benefits that GIS investments provide to the State and identify
27 opportunities for the State to leverage federal and local support for North Carolina GIS
28 systems.

29 **SECTION 17.2.(b)** OSBM shall make recommendations on the governance,
30 organization, and staffing of GIS in and across State agencies and on a coherent and
31 cost-effective State investment strategy for GIS that appropriately leverages local and
32 federal support. The findings of this study shall be reported to the North Carolina
33 General Assembly by January 15, 2008.

34 **SECTION 17.2.(b)** This section does not apply to The North Carolina
35 University System or to the Judicial Branch.
36

37 **MILITARY MORALE, RECREATION, AND WELFARE FUNDS**

38 **SECTION 17.3.(a)** There is appropriated from the General Fund to a
39 Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State
40 Budget and Management the sum of one million dollars (\$1,000,000) in each year of the
41 2007-2009 biennium.

42 **SECTION 17.3.(b)** The Office of State Budget and Management shall
43 distribute for the purposes described in this section the amount appropriated by
44 subsection (a) of this section. That amount shall be distributed to each military
45 installation on a per capita basis.

46 **SECTION 17.3.(c)** Funds distributed to a military installation exchange
47 under this section must be deposited in the Military Morale, Recreation, and Welfare
48 Fund for that installation and used only for community services and other expenditures
49 to improve quality of life programs for military members and their families in North
50 Carolina.
51

52 **LICENSING BOARD REPORTING REQUIREMENT**

53 **SECTION 17.4.** G.S. 93B-2(b) reads as rewritten:

54 "(b) Each occupational licensing board shall file with the Secretary of State, the
55 Attorney General, the Office of State Budget and Management, and the Joint Legislative

1 Administrative Procedure Oversight Committee a financial report that includes the
2 source and amount of all funds credited to the occupational licensing board and the
3 purpose and amount of all funds disbursed by the occupational licensing board during
4 the previous 12-month period."
5

6 **STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS**

7 **SECTION 17.5.(a)** The Office of State Budget and Management, in
8 consultation with the Office of State Controller and the Office of State Personnel, shall
9 conduct annual follow-up analyses to the Human Resources/Payroll Function Mapping
10 Analysis that was completed in January 2007 by the BEACON staff and OSBM. This
11 initial analysis was conducted to provide not only a preimplementation assessment of
12 State agency Human Resources/Payroll staffing prior to BEACON HR/Payroll
13 implementation but also to provide a basis on which new HR/Payroll roles required by
14 BEACON implementation could be mapped. These follow-up analyses of State agency
15 HR/Payroll staffing should be completed by January 1 of each year to assure the staffing
16 levels remain appropriate. The annual staffing analyses shall be conducted throughout
17 the implementation of the BEACON HR/Payroll System and shall continue for a
18 reasonable time after the implementation to assure that the staffing levels are adjusted
19 based on the increased efficiency provided by the implementation.

20 **SECTION 17.5.(b)** The Office of State Budget and Management, in
21 consultation with the Office of State Controller, shall conduct a staffing analysis of the
22 business functions of State government to include, but not necessarily be limited to,
23 agency fiscal offices, budget offices, and procurement offices to be completed by April
24 30, 2008. This initial analysis will serve as a preimplementation assessment of State
25 agency business functions staffing prior to the proposed implementation of the
26 remaining components of the BEACON ERP System. Follow-up analyses should be
27 conducted annually and completed by January 1 of each year to assure the staffing
28 levels remain appropriate. The annual staffing analyses shall be conducted throughout
29 the implementation of future BEACON components and shall continue for a reasonable
30 time after the implementation to assure that the staffing levels are adjusted based on the
31 increased efficiency provided by the implementation.

32 **SECTION 17.5.(c)** Staffing metrics developed in association with the
33 staffing analyses of HR/Payroll and the other business functions should be incorporated
34 into Results Based Budgeting documents and allow for comparison between State
35 agencies in these areas.
36

37 **STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE** 38 **AGENCIES**

39 **SECTION 17.6.** The Office of State Budget and Management, in
40 consultation with the Office of State Personnel and the Office of State Controller, shall
41 conduct a study of the Workers' Compensation Program in State agencies and
42 institutions to determine if the third-party administration of the program continues to be
43 the most effective mode of administration; to determine if the current method of funding
44 is still the most effective method; to determine whether excess coverage policies are
45 needed; and to identify any other operational inefficiencies in program operations that
46 might exist. The Office of State Budget and Management shall submit a final report
47 outlining the related findings and recommendations for improvements to the Joint
48 Legislative Commission on Governmental Operations and the Fiscal Research Division
49 by April 30, 2008.
50

51 **STAFFING ANALYSIS OF THE ETHICS COMMISSION AND THE** 52 **LOBBYIST REGISTRATION SECTION OF THE SECRETARY OF** 53 **STATE'S OFFICE**

54 **SECTION 17.7.** The Office of State Budget and Management shall conduct
55 a staffing analysis of the Ethics Commission and the Lobbyist Registration Section of

1 the Secretary of State's Office to determine if the staffing is appropriate for the
2 workload volume that has been generated by the enactment of Session Law 2006-221.
3 The Office of State Budget and Management shall submit a final report outlining its
4 findings and staffing recommendations to the Joint Legislative Commission on
5 Governmental Operations and the Fiscal Research Division by April 30, 2008.

6 7 **PART XVIII. DEPARTMENT OF REVENUE**

8 9 **TWENTY PERCENT (20%) COLLECTION ASSISTANCE FEE**

10 **SECTION 18.1.** G.S. 105-243.1(e) reads as rewritten:

11 "(e) Use. – The fee is a receipt of the Department and must be applied to the costs
12 of collecting overdue tax debts. The proceeds of the fee must be credited to a special
13 account within the Department and may be expended only as provided in this
14 subsection. The proceeds of the fee may not be used for any purpose that is not directly
15 and primarily related to collecting overdue tax debts. The Department may apply the
16 proceeds of the fee for the purposes listed in this subsection. The remaining proceeds of
17 the fee may be spent only pursuant to appropriation by the General Assembly. The fee
18 proceeds do not revert but remain in the special account until spent for the costs of
19 collecting overdue tax debts. The Department and the Office of State Budget and
20 Management must account for all expenditures using accounting procedures that clearly
21 distinguish costs allocable to collecting overdue tax debts from costs allocable to other
22 purposes and must demonstrate that none of the fee proceeds are used for any purpose
23 other than collecting overdue tax debts.

24 The Department may apply the fee proceeds for the following purposes:

- 25 (1) To pay contractors for collecting overdue tax debts under subsection
26 (b) of this section.
- 27 (2) To pay the fee the United States Department of the Treasury charges
28 for setoff to recover tax owed to North Carolina.
- 29 (3) To pay for taxpayer locator services, not to exceed one hundred fifty
30 thousand dollars (\$150,000) a year.
- 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 three hundred fifty-three thousand dollars (\$353,000) a year.
- 34 (5) To pay for operating expenses for Project Collection Tax and the
35 Taxpayer Assistance Call Center.
- 36 (6) To pay for expenses of the Examination and Collection Division
37 directly and primarily relating to collecting overdue tax debts.
- 38 (7) To pay for the replacement of the Integrated Tax Administration
39 System (ITAS) and related e-Business initiatives, not to exceed forty
40 million dollars (\$40,000,000)."

41 42 **WHITE GOODS DISPOSAL TAX PROGRAM**

43 **SECTION 18.2.** G.S. 105-187.24 reads as rewritten:

44 **"§ 105-187.19 Use of tax proceeds.**

45 The Secretary shall distribute the taxes collected under this Article, less the
46 Department of Revenue's allowance for administrative expenses, in accordance with this
47 section. The Secretary may retain the Department's cost of collection, not to exceed ~~two~~
48 ~~hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-five thousand
49 dollars (\$425,000) a year, as reimbursement to the Department.

50 Each quarter, the Secretary shall credit eight percent (8%) of the net tax proceeds to the
51 Solid Waste Management Trust Fund and shall credit twenty percent (20%) of the net tax
52 proceeds to the White Goods Management Account. The Secretary shall distribute the
53 remaining seventy-two percent (72%) of the net tax proceeds among the counties on a per
54 capita basis according to the most recent annual population estimates certified to the Secretary
55 by the State Budget Officer. The Department shall not distribute the tax proceeds to a county

1 when notified not to do so by the Department of Environment and Natural Resources under
 2 G.S. 130A-309.87. If a county is not entitled to a distribution, the proceeds allocated for that
 3 county will be credited to the White Goods Management Account.

4 A county may use funds distributed to it under this section only as provided in G.S.
 5 130A-309.82. A county that receives funds under this section and that has an interlocal
 6 agreement with another unit of local government under which the other unit provides for the
 7 disposal of solid waste for the county must transfer the amount received under this section to
 8 that other unit. A unit to which funds are transferred is subject to the same restrictions on use of
 9 the funds as the county."

10
 11 **SCRAP TIRE DISPOSAL TAX PROGRAM**

12 **SECTION 18.3.** G.S. 105-187.19(a) reads as rewritten:

13 "(a) The Secretary shall distribute the taxes collected under this Article, less the
 14 allowance to the Department of Revenue for administrative expenses, in accordance
 15 with this section. The Secretary may retain the cost of collection by the Department, not
 16 to exceed ~~two hundred twenty five thousand dollars (\$225,000)~~ four hundred twenty-
 17 five thousand dollars (\$425,000) a year, as reimbursement to the Department."

18
 19 **PART XIX. SALARIES AND BENEFITS**

20
 21 **GOVERNOR AND COUNCIL OF STATE**

22 **SECTION 19.1.(a)** Effective July 1, 2007, G.S. 147-11(a) reads as
 23 rewritten:

24 "(a) The salary of the Governor shall be ~~one hundred thirty thousand six hundred~~
 25 ~~twenty nine dollars (\$130,629)~~ one hundred thirty three thousand eight hundred ninety-
 26 five dollars (\$133,895) annually, payable monthly."

27 **SECTION 19.1.(b)** Effective July 1, 2007, the annual salaries for the
 28 members of the Council of State, payable monthly, for the 2007-2008 and 2008-2009
 29 fiscal years are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$ 118,171
Attorney General	118,171
Secretary of State	118,171
State Treasurer	118,171
State Auditor	118,171
Superintendent of Public Instruction	118,171
Agriculture Commissioner	118,171
Insurance Commissioner	118,171
Labor Commissioner	118,171

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 42 **NONELECTED DEPARTMENT HEAD/SALARY INCREASES**

43 **SECTION 19.2.** In accordance with G.S. 143B-9, the maximum annual
 44 salaries, payable monthly, for the nonelected heads of the principal State departments
 45 for the 2007-2008 and 2008-2009 fiscal years are:

<u>Nonelected Department Heads</u>	<u>Annual Salary</u>
Secretary of Administration	\$ 115,453
Secretary of Correction	115,453
Secretary of Crime Control and Public Safety	115,453
Secretary of Cultural Resources	115,453
Secretary of Commerce	115,453
Secretary of Environment, Health, and Natural Resources	115,453
Secretary of Human Resources	115,453
Secretary of Revenue	115,453

1 Secretary of Transportation 115,453

2
3 **CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES**

4 **SECTION 19.3.** The annual salaries, payable monthly, for the 2007-2008
5 and 2008-2009 fiscal years for the following executive branch officials are:

6	<u>Executive Branch Officials</u>	<u>Annual Salary</u>
7	Chairman, Alcoholic Beverage Control Commission	\$ 105,083
8	State Controller	147,064
9	Commissioner of Motor Vehicles	105,083
10	Commissioner of Banks	118,171
11	Chairman, Employment Security Commission	136,490
12	State Personnel Director	115,453
13	Chairman, Parole Commission	95,953
14	Members of the Parole Commission	44,293
15	Chairman, Utilities Commission	131,605
16	Members of the Utilities Commission	118,171
17	Executive Director, Agency for Public Telecommunications	88,588
18	Director, Museum of Art	107,676
19	Executive Director, North Carolina Agricultural Finance Authority	102,284
20	State Chief Information Officer	146,975

21
22
23 **JUDICIAL BRANCH OFFICIALS/SALARY INCREASES**

24 **SECTION 19.4.(a)** The annual salaries, payable monthly, for specified
25 judicial branch officials for the 2007-2008 and 2008-2009 fiscal years are:

26	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
27	Chief Justice, Supreme Court	\$ 133,895
28	Associate Justice, Supreme Court	130,395
29	Chief Judge, Court of Appeals	127,135
30	Judge, Court of Appeals	124,963
31	Judge, Senior Regular Resident Superior Court	121,567
32	Judge, Superior Court	118,171
33	Chief Judge, District Court	107,306
34	Judge, District Court	103,910
35	Administrative Officer of the Courts	121,567
36	Assistant Administrative Officer of the Courts	111,040

37
38
39 **SECTION 19.4.(b)** The district attorney or public defender of a judicial
40 district, with the approval of the Administrative Officer of the Courts or the
41 Commission on Indigent Defense Services, respectively, shall set the salaries of
42 assistant district attorneys or assistant public defenders, respectively, in that district such
43 that the average salaries of assistant district attorneys or assistant public defenders in
44 that district do not exceed sixty-eight thousand fifty-one dollars (\$68,051), and the
45 minimum salary of any assistant district attorney or assistant public defender is at least
46 thirty-five thousand five hundred sixty-one dollars (\$35,561) effective July 1, 2007.

47
48 **CLERK OF SUPERIOR COURT SALARY INCREASES**

49 **SECTION 19.5.** Effective July 1, 2007 G.S. 7A-101(a) reads as rewritten:

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

54	<u>Population</u>	<u>Annual Salary</u>
55	<u>Population</u>	<u>Annual Salary</u>

1	Less than 100,000	\$77,112,790,040
2	100,000 to 149,999	86,532,886,695
3	150,000 to 249,999	95,954,983,353
4	250,000 and above	105,378,108,612.

5
6 The salary schedule in this subsection is intended to represent the following
7 approximate percentage of the salary of a chief district court judge:
8

9	Population <u>Population</u>	Annual Salary <u>Annual Salary</u>
10	Less than 100,000	73%
11	100,000 to 149,999	82%
12	150,000 to 249,999	91%
13	250,000 and above	100%.

14
15 When a county changes from one population group to another, the salary of the clerk
16 shall be changed, on July 1 of the fiscal year for which the change is reported, to the
17 salary appropriate for the new population group, except that the salary of the incumbent
18 clerk shall not be decreased by any change in population group during his continuance
19 in office."
20

21 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY**
22 **INCREASES/ELIMINATE DEPUTY CLERK HIRING RATE**

23 **SECTION 19.6.** Effective July 1, 2007, G.S. 7A-102(c1) reads as rewritten:

24 "(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time
25 deputy clerk serving as head bookkeeper per county, shall be paid an annual salary
26 subject to the following minimum and maximum rates:
27

28	Assistant Clerks and <u>Assistant Clerks and</u>	Annual Salary <u>Annual Salary</u>
29	Head Bookkeeper <u>Head bookkeeper</u>	
30	Minimum	\$29,925 30,673
31	Maximum	51,251 52,532
32		
33	Deputy Clerks <u>Deputy Clerks</u>	Annual Salary <u>Annual Salary</u>
34	Minimum	\$25,758 26,402
35	Maximum	39,862 40,859."

36
37 **MAGISTRATES' SALARY INCREASES**

38 **SECTION 19.7.(a)** Effective July 1, 2007, G.S. 7A-171.1(a) reads as
39 rewritten:

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

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

53	Table of Salaries of Full-Time Magistrates	
54	Step Level <u>Step Level</u>	Annual Salary <u>Annual Salary</u>
55	Entry Rate	\$30,320 31,078

1	Step 1	33,10133,929
2	Step 2	36,12637,029
3	Step 3	39,42940,415
4	Step 4	43,04644,122
5	Step 5	47,12248,300
6	Step 6	51,692.52,984.

(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, an individual who, when initially appointed as a full-time magistrate, is licensed to practice law in North Carolina, shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. An individual who, when initially appointed as a part-time magistrate, is licensed to practice law in North Carolina, shall be paid an annual salary based on that for Step 4 and determined according to the formula in subdivision (2) of this subsection. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. The salary of a full-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving a salary at a level lower than Step 4 shall be adjusted to Step 4 and, thereafter, shall advance in accordance with the Table's schedule. The salary of a part-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time acquiring the license is receiving an annual salary as determined by subdivision (2) of this subsection based on a salary level lower than Step 4 shall be adjusted to a salary based on Step 4 in the Table, and, thereafter, shall advance in accordance with the provision in subdivision (2) of this subsection."

SECTION 19.7.(b) Effective July 1, 2007, G.S. 7A-171.1(a1)(1) reads as

rewritten:

"(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service	\$24,45025,061
1 or more but less than 3 years of service	25,57226,211
3 or more but less than 5 years of service	27,831.28,527."

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 19.8. Effective July 1, 2007, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~ninety seven thousand four hundred two dollars (\$97,402)~~ ninety-nine thousand eight hundred thirty-seven dollars (\$99,837) payable monthly. Each principal clerk shall also receive such additional compensation as approved by the Speaker of the House of Representatives or the President Pro Tempore of the Senate, respectively, for additional employment duties beyond those provided by the rules of their House. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

SERGEANT-AT-ARMS AND READING CLERKS

SECTION 19.9. Effective July 1, 2007, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~three hundred forty five dollars (\$345.00)~~ three hundred fifty-four dollars (\$354.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

LEGISLATIVE EMPLOYEES

SECTION 19.10. The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2006-2007 by two and one-half percent (2.5%). Nothing in this act limits any of the provisions of G.S. 120-32.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 19.11.(a) The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of two and one-half percent (2.5%) including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all permanent full-time community college institutional personnel supported by State funds.

SECTION 19.11.(b) The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an additional annual salary increase of two and one-half percent (2.5%), for Community College faculty and professional staff, including funds for the employer's retirement and social security contributions, supported by State funds. The additional two and one-half percent (2.5%) salary increase authorized by this section shall be made in accordance with rules adopted by the State Board of Community Colleges.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 19.12.(a) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, to provide an annual salary increase of two and one-half percent (2.5%), including funds

1 for the employer's retirement and social security contributions, commencing July 1,
2 2007, for all employees of The University of North Carolina, as well as employees other
3 than teachers of the North Carolina School of Science and Mathematics, supported by
4 State funds and whose salaries are exempt from the State Personnel Act (EPA).

5 **SECTION 19.12.(b)** The Director of the Budget shall transfer to the Board
6 of Governors of The University of North Carolina sufficient funds from the Reserve for
7 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009,
8 to provide an average annual salary increase of five percent (5%) or at least an annual
9 increase of one thousand two hundred forty dollars (\$1,240), including funds for the
10 employer's retirement and social security contributions, commencing July 1, 2007, for
11 all teaching employees of the North Carolina School of Science and Mathematics,
12 supported by State funds and whose salaries are exempt from the State Personnel Act
13 (EPA). These funds shall be allocated to individuals according to the rules adopted by
14 the Board of Trustees of the North Carolina School of Science and Mathematics and
15 may not be used for any purpose other than for salary increases and necessary employer
16 contributions provided by this section.

17 18 **MOST STATE EMPLOYEES**

19 **SECTION 19.13.(a)** The salaries in effect June 30, 2007, of all permanent
20 full-time State employees whose salaries are set in accordance with the State Personnel
21 Act, and who are paid from the General Fund or the Highway Fund, shall be increased,
22 on or after July 1, 2007, unless otherwise provided by this act, by two and one-half
23 percent (2.5%).

24 **SECTION 19.13.(b)** Except as otherwise provided in this act, the fiscal year
25 2007-2008 salaries for permanent full-time State officials and persons in exempt
26 positions that are recommended by the Governor or the Governor and the Advisory
27 Budget Commission and set by the General Assembly shall be increased by two and
28 one-half percent (2.5%), commencing July 1, 2007.

29 **SECTION 19.13.(c)** The salaries in effect for fiscal year 2007-2008 for all
30 permanent part-time State employees shall be increased on and after July 1, 2007, by
31 pro rata amounts of the two and one-half percent (2.5%) salary increase provided for
32 permanent full-time employees covered under this part.

33 **SECTION 19.13.(d)** The Director of the Budget may allocate out of special
34 operating funds or from other sources of the employing agency, except tax revenues,
35 sufficient funds to allow a salary increase, on and after July 1, 2007, in accordance with
36 subsection (a), (b), or (c) of this section including funds for the employer's retirement
37 and social security contributions, for the permanent full-time and part-time employees
38 of the agency, provided the employing agency elects to make available the necessary
39 funds.

40 **SECTION 19.13.(e)** Within regular Executive Budget Act procedures as
41 limited by this act, all State agencies and departments may increase on an equitable
42 basis the rate of pay of temporary and permanent hourly State employees, subject to
43 availability of funds in the particular agency or department, by pro rata amounts of the
44 two and one-half percent (2.5%) salary increase provided for permanent full-time
45 employees covered by the provisions of subsection (a), commencing July 1, 2007.

46 47 **ALL STATE-SUPPORTED PERSONNEL**

48 **SECTION 19.14.(a)** Salaries and related benefits for positions that are
49 funded partially from the General Fund or Highway Fund and partially from sources
50 other than the General Fund or Highway Fund shall be increased from the General Fund
51 or Highway Fund appropriation only to the extent of the proportionate part of the
52 salaries paid from the General Fund or Highway Fund.

53 **SECTION 19.14.(b)** The granting of the salary increases under this act does
54 not affect the status of eligibility for salary increments for which employees may be
55 eligible unless otherwise required by this act.

1 **SECTION 19.14.(c)** The salary increases provided in this act are to be
2 effective July 1, 2007, do not apply to persons separated from State service due to
3 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
4 prior to July 1, 2007.

5 Payroll checks issued to employees after July 1, 2007, which represent
6 payment of services provided prior to July 1, 2007, shall not be eligible for salary
7 increases provided for in this act. This subsection shall apply to all employees, subject
8 to or exempt from the State Personnel Act, paid from State funds, including public
9 schools, community colleges, and The University of North Carolina.

10 **SECTION 19.14.(d)** The Director of the Budget shall transfer from the
11 Reserve for Compensation Increases in this act for fiscal year 2007-2008 all funds
12 necessary for the salary increases provided by this act, including funds for the
13 employer's retirement and social security contributions.

14 **SECTION 19.14.(e)** Nothing in this act authorizes the transfer of funds
15 between the General Fund and the Highway Fund for salary increases.

16 17 **TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES** 18 **COMMISSION SALARIES**

19 **SECTION 19.15.(a)** For the 2007-2008 and 2008-2009 fiscal years, the
20 Secretary of Revenue shall transfer at the end of each quarter from the State sales and
21 use tax net collections received by the Department of Revenue under Article 5 of
22 Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources
23 Fund to fund the cost of any legislative salary increase for employees of the Wildlife
24 Resources Commission.

25 26 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

27 **SECTION 19.16.(a)** Required employer salary-related contributions for
28 employees whose salaries are paid from department, office, institution, or agency
29 receipts shall be paid from the same source as the source of the employees' salary. If an
30 employee's salary is paid in part from the General Fund or Highway Fund and in part
31 from department, office, institution, or agency receipts, required employer salary-related
32 contributions may be paid from the General Fund or Highway Fund only to the extent of
33 the proportionate part paid from the General Fund or Highway Fund in support of the
34 salary of the employee, and the remainder of the employer's requirements shall be paid
35 from the source that supplies the remainder of the employee's salary. The requirements
36 of this section as to source of payment are also applicable to payments on behalf of the
37 employee for hospital-medical benefits, longevity pay, unemployment compensation,
38 accumulated leave, workers' compensation, severance pay, separation allowances, and
39 applicable disability income benefits.

40 **SECTION 19.16.(b)** Effective July 1, 2007, the State's employer
41 contribution rates budgeted for retirement and related benefits as percentage of covered
42 salaries for the 2007-2008 fiscal year are (i) seven and fourteen hundredths percent
43 (7.14%) – Teachers and State Employees; (ii) twelve and fourteen hundredths percent
44 (12.14%) – State Law Enforcement Officers; (iii) eleven and sixteen hundredths percent
45 (11.16%) – University Employees' Optional Retirement System; (iv) eleven and sixteen
46 hundredths percent (11.16%) – Community College Optional Retirement Program; (v)
47 sixteen and thirty-nine hundredths percent (16.39%) Consolidated Judicial Retirement
48 System, and (vi) three and eight tenths percent (3.8%) – Legislative Retirement System.
49 Each of the foregoing contribution rates includes three and eight tenths percent (3.8%)
50 for hospital and medical benefits. The rate for Teachers and State Employees, State
51 Law Enforcement Officers, Community College Optional Retirement Program, and for
52 the University Employees' Optional Retirement Program includes fifty-two hundredths
53 percent (0.52%) for the Disability Income Plan. The rates for Teachers and State
54 Employees and State Law Enforcement Officers include sixteen-hundredths percent

1 (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers
2 includes five percent (5%) for Supplemental Retirement Income.

3 **SECTION 19.16.(c)** The maximum annual employer contributions, payable
4 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
5 to the Indemnity Plan of the Teachers' and State Employees' Comprehensive Major
6 Medical Plan are as follows: (i) Medicare-eligible employees and retirees – July 2007
7 to September 2007: seven hundred thirty-three dollars (\$733.00); (ii) Medicare-eligible
8 employees and retirees – October 2007 to June 2008: two thousand four hundred
9 seventy-one dollars (\$2,471); (iii) non-Medicare-eligible employees and retirees – July
10 2007 to September 2007: nine hundred sixty-three dollars (\$963.00); and (iv)
11 non-Medicare-eligible employees and retirees – October 2007 to June 2008: three
12 thousand two hundred forty-six dollars (\$3,246).

13 **SECTION 19.16.(d)** The maximum annual employer contributions, payable
14 monthly, by the State for each covered employee or retiree for the 2007-2008 fiscal year
15 to the Preferred Provider Organization (PPO) Teachers' and State Employees'
16 Comprehensive Major Medical Plan are as follows: (i) Medicare-eligible employees
17 and retirees – July 2007 to September 2007: seven hundred eleven dollars (\$711.00); (ii)
18 Medicare-eligible employees and retirees – October 2007 to June 2008: two thousand
19 three hundred ninety-seven dollars (\$2,397); (iii) non-Medicare-eligible employees and
20 retirees – July 2007 to September 2007: nine hundred thirty-five dollars (\$935.00); and
21 (iv) non-Medicare-eligible employees and retirees – October 2007 to June 2008: three
22 thousand one hundred forty-nine dollars (\$3,149).

23 **SECTION 19.16.(e)** The maximum annual employer contributions, payable
24 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
25 to the Indemnity Plan of the Teachers' and State Employees' Comprehensive Major
26 Medical Plan are: (i) Medicare-eligible employees and retirees – July 2008 to June
27 2009: three thousand two hundred ninety-five dollars (\$3,295) and (ii)
28 non-Medicare-eligible employees and retirees – July 2008 to June 2009: four thousand
29 three hundred twenty-eight dollars (\$4,328).

30 **SECTION 19.16.(f)** The maximum annual employer contributions, payable
31 monthly, by the State for each covered employee or retiree for the 2008-2009 fiscal year
32 to the Preferred Provider Organization (PPO) of the Teachers' and State Employees'
33 Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees –
34 July 2008 to June 2009: three thousand one hundred ninety-six dollars (\$3,196) and (ii)
35 non-Medicare-eligible employees and retirees – July 2008 to June 2009: four thousand
36 one hundred ninety-eight dollars (\$4,198).

37 38 STATE HEALTH PLAN BENEFIT CHANGES

39 **SECTION 19.17.(a)** G.S. 135-40.5 reads as rewritten:

40 "(g) Prescription Drugs. – The Plan's allowable charges for prescription legend
41 drugs to be used outside of a hospital or skilled nursing facility are to be determined by
42 the Plan's Executive Administrator and Board of Trustees. The For both Indemnity Plan
43 and Preferred Provider Option (PPO) members, the Plan will pay allowable charges for
44 each outpatient prescription drug less a copayment to be paid by each covered
45 individual equal to the following amounts: pharmacy charges up to ~~ten dollars (\$10.00)~~
46 fifteen dollars (\$15.00) for each generic prescription, ~~twenty five dollars (\$25.00)~~ thirty
47 dollars (\$30.00) for each preferred branded prescription, and forty dollars (\$40.00) for
48 each preferred branded prescription with a generic equivalent drug, and fifty dollars
49 (\$50.00) for each nonpreferred branded or generic ~~prescription.~~ prescription not on a
50 formulary used by the Plan.

51 Allowable charges shall not be greater than a pharmacy's usual and customary
52 charge to the general public for a particular prescription. Prescriptions shall be for no
53 more than a 34-day supply for the purposes of the copayments paid by each covered
54 individual. By accepting the copayments and any remaining allowable charges provided
55 by this subsection, pharmacies shall not balance bill an individual covered by the Plan.

1 A prescription legend drug is defined as an article the label of which, under the Federal
2 Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law
3 Prohibits Dispensing Without Prescription." Such articles may not be sold to or
4 purchased by the public without a prescription order. Benefits are provided for insulin
5 even though a prescription is not required. The Plan may use a pharmacy benefit
6 manager to help manage the Plan's outpatient prescription drug coverage. In managing
7 the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit
8 manager shall not provide coverage for erectile dysfunction, growth hormone,
9 antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically
10 necessary to the health of the member. The Plan and its pharmacy benefit manager shall
11 not provide coverage for growth hormone and weight loss drugs and antifungal drugs
12 for the treatment of nail fungus and botulinum toxin without approval in advance by the
13 pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator
14 and pharmacy benefit manager shall be an open formulary. Plan members shall not be
15 assessed more than two thousand five hundred dollars (\$2,500) per person per fiscal
16 year in copayments required by this subsection."

17 **SECTION 19.17.(b)** The first paragraph of G.S. 135-40.6 reads as rewritten:
18 "~~The For Indemnity Plan members, the~~ benefits provided in this section are subject
19 to a deductible of ~~three hundred fifty dollars (\$350.00)~~ four hundred fifty dollars
20 (\$450.00) per covered individual to an aggregate maximum of one thousand fifty dollars
21 (\$1,050) per employee and child(ren) or employee and family coverage contract per
22 fiscal year and are payable on the basis of eighty percent (80%) by the Plan and twenty
23 percent (20%) by the covered individual up to a maximum of two thousand dollars
24 (\$2,000) out-of-pocket per fiscal year. The aggregate maximum out-of-pocket required
25 of individuals covered by this section shall not be more than six thousand dollars
26 (\$6,000) per employee and child(ren) or employee and family coverage contract per
27 fiscal year."

28 **SECTION 19.17.(c)** G.S. 135-40.6(7)a. reads as rewritten:

29 "(7) Medical Benefits. –

- 30 a. Services of Doctors. – The Plan pays the usual, reasonable and
31 customary charges for covered inpatient medical (nonsurgical)
32 services. Services are covered if the individual is
33 hospital-confined and is eligible for hospitalization benefits as
34 described in this section. Benefits are provided for exactly the
35 same number of days as the individual is entitled to under this
36 section, except that medical benefits are provided on both the
37 day of admission and the day of discharge.

38 In the event a covered individual is treated by two or more
39 co-attending doctors during the same hospital confinement for a
40 medical (nonsurgical) condition, benefits are limited to payment
41 for services provided by the primary attending doctor, except
42 where need is established for supplementary skills for treatment
43 of separate and distinct diagnoses or conditions.

44 Home, office, and skilled nursing facility visits including (i)
45 charges for injected medications, (ii) inpatient care by attending
46 medical doctors, radiologists, pathologists, and consultants
47 during such time as hospital benefits are paid under any section
48 of this Plan, (iii) care in the outpatient department of a hospital,
49 and (iv) administration of shock therapy (drug or electric)
50 including the services of anesthesiologists provided on an office
51 or hospital outpatient basis for treatment of acute psychotic
52 reaction or severe depression. For Indemnity Plan members, the
53 Plan does not cover the first twenty-five dollars (\$25.00) of
54 allowable charges for each home, office, or skilled nursing
55 facility visit."

1
2 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
3 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
4 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**
5 **RETIREMENT SYSTEM**

6 **SECTION 19.18.(a)** G.S. 135-5 is amended by adding a new subsection to
7 read:

8 "(qqq) From and after July 1, 2007, the retirement allowance to or on account of
9 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
10 by two percent (2%) of the allowance payable on June 1, 2007, in accordance with
11 G.S. 135-5(o). Furthermore, from and after July 1, 2007, the retirement allowance to or
12 on account of beneficiaries whose retirement commenced after July 1, 2006, but before
13 June 30, 2007, shall be increased by a prorated amount of two percent (2%) of the
14 allowance payable as determined by the Board of Trustees based upon the number of
15 months that a retirement allowance was paid between July 1, 2006, and June 30, 2007."

16 **SECTION 19.18.(b)** G.S. 135-65 is amended by adding a new subsection to
17 read:

18 "(bb) From and after July 1, 2007, the retirement allowance to or on account of
19 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
20 by two percent (2%) of the allowance payable on June 1, 2007. Furthermore, from and
21 after July 1, 2007, the retirement allowance to or on account of beneficiaries whose
22 retirement commenced after July 1, 2006, but before June 30, 2007, shall be increased
23 by a prorated amount of two percent (2%) of the allowance payable as determined by
24 the Board of Trustees based upon the number of months that a retirement allowance was
25 paid between July 1, 2006, and June 30, 2007."

26 **SECTION 19.18.(c)** G.S. 120-4.22A is amended by adding a new subsection
27 to read:

28 "(v) In accordance with subsection (a) of this section, from and after July 1, 2007,
29 the retirement allowance to or on account of beneficiaries whose retirement commenced
30 on or before January 1, 2007, shall be increased by two percent (2%) of the allowance
31 payable on June 1, 2007. Furthermore, from and after July 1, 2007, the retirement
32 allowance to or on account of beneficiaries whose retirement commenced after January
33 1, 2007, but before June 30, 2007, shall be increased by a prorated amount of two
34 percent (2%) of the allowance payable as determined by the Board of Trustees based
35 upon the number of months that a retirement allowance was paid between January 1,
36 2007, and June 30, 2007."

37 **SECTION 19.18.(d)** G.S. 128-27 is amended by adding a new section to
38 read:

39 "(hhh) From and after July 1, 2007, the retirement allowance to or on account of
40 beneficiaries whose retirement commenced on or before July 1, 2006, shall be increased
41 by two percent (2%) of the allowance payable on June 1, 2007, in accordance with
42 subsection (k) of this section. Furthermore, from and after July 1, 2007, the retirement
43 allowance to or on account of beneficiaries whose retirement commenced after July 1,
44 2006, but before June 30, 2007, shall be increased by a prorated amount of two percent
45 (2%) of the allowance payable as determined by the Board of Trustees based upon the
46 number of months that a retirement allowance was paid between July 1, 2006, and June
47 30, 2007."

48
49 **SALARY ADJUSTMENT FUND**

50 **SECTION 19.19.(a)** Any remaining appropriations in the General Fund
51 Reserve for Compensation Increases authorized for employee salary increases not
52 required for that purpose may be used to supplement the General Fund Salary
53 Adjustment Fund to support salary adjustments for positions supported by the General
54 Fund. Any remaining appropriations in the Highway Fund Reserves and Transfers
55 authorized for employee salary increases not required for that purpose may be used to

1 supplement the Highway Fund Salary Adjustment Fund to support salary adjustments
2 for positions supported by the Highway Fund.

3 **SECTION 19.19.(b)** Funds appropriated or otherwise transferred to the
4 General Fund Salary Adjustment Fund or to the Highway Fund Salary Adjustment Fund
5 by this act or any other provision of law shall be used to fund agency requests for the
6 following purposes:

- 7 (1) Salary range revisions, special minimum rates, grade to band transfers
8 and geographic site differential adjustments to provide competitive
9 salary rates for affected job groups.
- 10 (2) Reallocation of positions to higher-level job groups to compensate
11 employees for more difficult duties.
- 12 (3) Career progression and in-range adjustments in order to recognize job
13 change and to respond to market conditions.

14 Funds shall only be used for salary adjustments that are in compliance with State
15 Personnel Commission policies. Funding shall first be provided to categories outlined in
16 subdivision (b)(1) and subdivision (b)(2) beginning with the earliest actions approved
17 by the State Personnel Commission or the Office of State Personnel. Any remaining
18 funds may be used for adjustments outlined in subdivision (b)(3) in compliance with
19 State Personnel Commission policies.

20 **SECTION 19.19.(c)** The Director of the Budget shall consult with the Joint
21 Legislative Commission on Governmental Operations prior to transferring any salary
22 adjustment funds for any State agency.

23 **SECTION 19.19.(d)** The Director of the Budget may:

- 24 (1) Transfer to General Fund budget codes from the General Fund Salary
25 Adjustment Fund amounts required to support salary adjustments
26 authorized by this section with the oldest of the pending adjustments to
27 be funded first.
- 28 (2) Transfer to Highway Fund budget codes from the Highway Fund
29 Salary Adjustment Fund amounts required to support salary
30 adjustments authorized by this section.

31 **SECTION 19.19.(e)** The Judicial Department is eligible for the funding
32 authorized in subsection (a) of this section.

33 **SECTION 19.19.(f)** Employees subject to the State Personnel Act in The
34 University of North Carolina System are eligible for funding authorized in subsection
35 (a) of this section and for the purposes outlined in subsection (b) of this section.

36 **PART XX. REVENUE LAW CHANGES**

37 **INTERNAL REVENUE CODE UPDATE**

38 **SECTION 20.1.(a)** G.S. 105-228.90(b)(1b) reads as rewritten:

39 " ...

40 (b) Definitions. – The following definitions apply in this Article:

41 (1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2006,~~
42 January 1, 2007, including any provisions enacted as of that date
43 which become effective either before or after that date."
44

45 **SECTION 20.1.(b)** Notwithstanding subsection (a) of this section, any
46 amendments to the Internal Revenue Code enacted after January 1, 2006, that increase
47 North Carolina taxable income for the 2006 taxable year become effective for taxable
48 years beginning on or after January 1, 2007.

49 **SECTION 20.1.(c)** Subsections (a) and (b) of this section are effective when
50 they become law.

51 **NO-TAX FLOOR**

52 **SECTION 20.2.(a)** Article 4 of Chapter 105 of the General Statutes is
53 amended by adding a new section to read:
54
55

"§ 105-151.30. No-Tax Floor.

(a) The tax of an individual whose adjusted gross income (AGI) as calculated under the Code is less than the amount listed below shall be equal to their net tax as reduced by credits multiplied by the factor in subsection (b):

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$10,000</u>
<u>Head of Household</u>	<u>\$7,500</u>
<u>Single</u>	<u>\$5,000</u>
<u>Married, filing separately</u>	<u>\$5,000</u>

(b) The factor for a resident is 0.0. The factor for a nonresident or part-year resident is one minus the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate.

(c) The tax of an individual whose adjusted gross income (AGI) as calculated under the Code is greater than the amount indicated in subsection (a) for the relevant filing status and whose AGI is less than the amount listed below shall be equal to their net tax as reduced by credits multiplied by the factor in subsection (d):

<u>Filing Status</u>	<u>AGI</u>
<u>Married, filing jointly</u>	<u>\$25,000</u>
<u>Head of Household</u>	<u>\$20,000</u>
<u>Single</u>	<u>\$12,500</u>
<u>Married, filing separately</u>	<u>\$12,500</u>

(d) The factor for a resident is 0.5. The factor for a nonresident or part-year resident is one minus the product of 0.5 multiplied by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate."

SECTION 20.2.(b) This section becomes effective January 1, 2008.

SALES TAX CHANGE

SECTION 20.3. Section 34.1(c) of S.L. 2001-424, as amended by Section 38.1 of S.L. 2003-284, Section 9.1 of S.L. 2005-144, and Section 33.1 of S.L. 2005-276, reads as rewritten:

"SECTION 34.13.(c) This section becomes effective October 16, 2001, and applies to sales made on or after that date. ~~This section is repealed effective for sales made on or after July 1, 2007.~~ This section does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this section before the effective date of its amendment or repeal; nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective data of its amendment or repeal."

INCOME TAX CHANGE

SECTION 20.4.(a) Section 39.1 of S.L. 2003-284, as amended by Section 36.1(a) of S.L. 2005-276, is repealed.

SECTION 20.4.(b) This section is effective January 1, 2008.

ADOPTION TAX CREDIT

SECTION 20.5.(a) Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read as follows:

"§ 105-151.32. Credit for adoption expenses.

(a) Credit. – An individual who is allowed a federal adoption tax credit under section 23 of the Code for the taxable year is allowed a credit against the tax imposed by this Part in an amount equal to fifty percent (50%) of the amount of the federal adoption tax credit claimed effective as of January 1, 2006.

(b) Limitations. – A nonresident or part-year resident who claims the credit allowed by this section shall reduce the amount of the credit by multiplying it by the

1 fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. The credit allowed
 2 under this section may not exceed the amount of tax imposed by this Part for the taxable
 3 year reduced by the sum of all credits allowed, except payments of tax made by or on
 4 behalf of the taxpayer."

5 **SECTION 20.5.(b)** This section is effective January 1, 2008.

6
 7 **COMBINED INCOME TAX REPORTING**

8 **SECTION 20.6.(a)** G.S. 105-130.2(5c) reads as rewritten:

9 **"§ 105-130.2. Definitions.**

10 The following definitions apply in this Part:

- 11
 12 (5c) State net income. – The taxpayer's federal taxable income as
 13 determined under the Code, adjusted as provided in G.S. 105-130.5
 14 and, in the case of a corporation that has income from business activity
 15 that is taxable both within and without this State, allocated and
 16 apportioned to this State as provided in G.S. 105-130.4. A
 17 corporation's net income in this State includes all of the following:
 18 a. Its share of any income apportionable to this State of each of
 19 the combined groups of which it is a member.
 20 b. Its share of any income apportionable to this State of a distinct
 21 business activity conducted within or without the State wholly
 22 by the taxpayer.
 23 c. Its income from a business conducted wholly by the taxpayer
 24 entirely within this State.
 25 d. Its nonapportionable income or loss allocable to this State."

26 **SECTION 20.6.(b)** G.S. 105-130.4(a) reads as rewritten:

27 "(a) As used in this section, unless the context otherwise requires:

- 28 (01) Affiliated group. – A group of two or more corporations in which more
 29 than fifty percent (50%) of the voting stock of each member
 30 corporation is directly or indirectly owned by a common owner or
 31 owners, either corporate or noncorporate, or by one or more of the
 32 member corporations.
 33 (1) ~~"Apportionable income" means all income~~ Apportionable income. –
 34 All income that is apportionable under the United States Constitution.
 35 (1a) Business activity. – Any activity by a corporation that would establish
 36 nexus under 15 U.S.C. § 381.
 37 (1b) Casual sale of property. – The sale of any property which was not
 38 purchased, produced, or acquired primarily for sale in the corporation's
 39 regular trade or business.
 40 (1c) Combined group. – The collective members of an affiliated group that
 41 are engaged in a unitary business.
 42 (2) ~~"Commercial domicile" means the~~ Commercial domicile. – The
 43 principal place from which the trade or business of the taxpayer is
 44 directed or managed.
 45 (3) ~~"Compensation" means wages,~~ Compensation. – Wages, salaries,
 46 commissions and any other form of remuneration paid to employees
 47 for personal services.
 48 (4) ~~"Excluded corporation" means any~~ Excluded corporation. – A
 49 corporation engaged in business as a building or construction
 50 contractor, a securities dealer, or a loan company or a corporation that
 51 receives more than fifty percent (50%) of its ordinary gross income
 52 from intangible property.
 53 (5) ~~"Nonapportionable income" means all~~ Nonapportionable income. – All
 54 income other than apportionable income.

- 1 (6) ~~"Public utility" means any Public utility.~~ – A corporation that is
2 subject to control of one or more of the following entities: the North
3 Carolina Utilities Commission, the Federal Communications
4 Commission, the Interstate Commerce Commission, the Federal
5 Energy Regulatory Commission, or the Federal Aviation Agency; and
6 that owns or operates for public use any plant, equipment, property,
7 franchise, or license for the transmission of communications, the
8 transportation of goods or persons, or the production, storage,
9 transmission, sale, delivery or furnishing of electricity, water, steam,
10 oil, oil products, or gas. The term also includes a motor carrier of
11 property whose principal business activity is transporting property by
12 motor vehicle for hire over the public highways of this State.
- 13 (7) ~~"Sales" means all Sales.~~ – All gross receipts of the corporation except
14 for the following receipts:
15 a. Receipts from a casual sale of property.
16 b. Receipts allocated under subsections (c) through (h) of this
17 section.
18 c. Receipts exempt from taxation.
19 d. The portion of receipts realized from the sale or maturity of
20 securities or other obligations that represents a return of
21 principal.
- 22 (8) ~~"Casual sale of property" means the sale of any property which was
23 not purchased, produced or acquired primarily for sale in the
24 corporation's regular trade or business.~~
- 25 (9) ~~"State" means any State.~~ – A state of the United States, the District of
26 Columbia, the Commonwealth of Puerto Rico, any territory or
27 possession of the United States, and any foreign country or political
28 subdivision thereof.
- 29 (10) Unitary business. – One or more related business organizations
30 engaged in business activity both within and without the State among
31 which one or more of the following exist:
32 a. A unity of ownership, operation, or use.
33 b. An interdependence in their functions."

34 **SECTION 20.6.(c)** G.S. 105-130.4(b) reads as rewritten:

35 "(b) A corporation having income from business activity which is taxable both
36 within and without this State shall allocate and apportion its net income or net loss as
37 provided in this ~~section~~ section and G.S. 105-130.4A. For purposes of allocation and
38 apportionment, a corporation is taxable in another state if (i) the corporation's business
39 activity in that state subjects it to a net income tax or a tax measured by net income, or
40 (ii) that state has jurisdiction based on the corporation's business activity in that state to
41 subject the corporation to a tax measured by net income regardless whether that state
42 exercises its jurisdiction. For purposes of this section, "business activity" includes any
43 activity by a corporation that would establish a taxable nexus pursuant to 15 United
44 States Code section 381."

45 **SECTION 20.6.(d)** G.S. 105-130.4(i) reads as rewritten:

46 "(i) All apportionable income of corporations other than public utilities and
47 excluded corporations shall be apportioned to this State by multiplying the income by a
48 fraction, the numerator of which is the property factor plus the payroll factor plus twice
49 the sales factor, and the denominator of which is four. Provided, that where the sales
50 factor does not exist, the denominator of the fraction shall be the number of existing
51 factors and where the sales factor exists but the payroll factor or the property factor does
52 not exist, the denominator of the fraction shall be the number of existing factors plus
53 one. The apportionable income of a corporation that is part of a combined group
54 engaged in a unitary business shall be apportioned to this State as provided in
55 G.S. 105-130.4A."

1 **SECTION 20.6.(e)** G.S. 105-130.4(1)(2) reads as rewritten:

2 "(2) Sales of tangible personal property are in this State if the property is
3 received in this State by ~~the purchaser.~~ a purchaser other than the
4 United States government. In addition, a sale of tangible personal
5 property is in this State if the property is shipped from a place in this
6 State and the purchaser is in the United States government or the
7 taxpayer is not taxable in the state of the purchaser. In the case of
8 delivery of goods by common carrier or by other means of
9 transportation, including transportation by the purchaser, the place at
10 which the goods are ultimately received after all transportation has
11 been completed shall be considered as the place at which the goods are
12 received by the purchaser. Direct delivery into this State by the
13 taxpayer to a person or firm designated by a purchaser from within or
14 without the State shall constitute delivery to the purchaser in this
15 State."

16 **SECTION 20.6.(f)** Part 1 of Article 4 of Chapter 105 of the General Statutes
17 is amended by adding two new sections to read:

18 "**§ 105.130.4A. Apportionment of income of combined group.**

19 (a) Combined Group. – The apportionable income of a combined group's unitary
20 business is determined by eliminating income, deductions, and losses from all
21 transactions between the members of the combined group associated with the combined
22 group's unitary business. The apportionable income of the combined group's unitary
23 business is apportioned in accordance with G.S. 105-130.4(i) through G.S. 105-130.4(l),
24 including in the numerator the property, payroll, and sales associated with the combined
25 group's unitary business in this State of each member of the combined group that has
26 business activity in this State associated with the combined group's unitary business and
27 including in the denominator the property, payroll, and sales of all members of the
28 combined group that are associated with the combined group's unitary business.
29 Members of a combined group may elect to determine the combined group's
30 apportionable income pursuant to water's edge election under G.S. 105-130.4B.

31 (b) Member Share. – A member's share of the apportionable income of a
32 combined group's unitary business apportioned to this State of which it is a member is
33 the product of the following:

34 (1) The apportionable income of the combined group's unitary business
35 apportionable to this State.

36 (2) The ratio of the member's State apportionment factors associated with
37 the combined group's unitary business to the combined group's
38 aggregate State apportionment factors associated with the combined
39 group's unitary business.

40 "**§ 105-130.4B. Water's edge election.**

41 (a) Election. – Members of a combined group may elect to disregard the income
42 and apportionment factors of a member of the combined group that is a foreign
43 corporation that conducts eighty percent (80%) or more of its business activity outside
44 the United States and outside of a tax haven country. A water's edge election must be
45 filed in writing with the Secretary. It is effective for the taxable year in which it is filed
46 and for the following 10 taxable years. The election will be automatically extended at
47 the end of the 10-year period unless notice is given in writing to the Secretary of intent
48 not to renew. The notice of intent not to renew must be made before the end of the last
49 two years of the election period.

50 (b) Withdrawal of Election. – An election may be withdrawn only upon written
51 request to the Secretary and only with the written permission of the Secretary. If the
52 Secretary grants a withdrawal of election, the Secretary must impose reasonable
53 conditions as necessary to prevent the evasion of tax or to clearly reflect income for the
54 election period prior to or after the withdrawal. A water's edge election, once terminated

1 by either a notice of withdrawal or a failure to renew, may not be renewed for a
 2 minimum of three years.

3 (c) Definition. – For purposes of this section, the term 'tax haven country' has the
 4 same meaning as in G.S. 143-59.1."

5 **SECTION 20.6.(g)** G.S. 105-130.14 reads as rewritten:

6 "**§ 105-130.14. Corporations filing consolidated returns for federal income tax**
 7 **purposes. Combined reporting.**

8 Any corporation electing or required to file a consolidated income tax return with
 9 the Internal Revenue Service shall not file a consolidated return with the Secretary of
 10 Revenue, unless specifically directed to do so in writing by the Secretary, and shall
 11 determine its State net income as if a separate return had been filed for federal purposes.

12 A corporation which is part of an affiliated group engaged in a unitary business must
 13 file a report for the combined group containing the combined net income of the
 14 combined group and any other information the Secretary may require. The use of a
 15 combined report does not disregard the separate identities of the members of the
 16 combined group. Each member of the combined group is responsible for tax based on
 17 its taxable income or loss apportioned or allocated to this State."

18 **SECTION 20.7.(h)** This section becomes effective for taxable years
 19 beginning on or after January 1, 2009.

20
 21 **PART XXI. GENERAL CAPITAL APPROPRIATIONS/PROVISIONS**

22
 23 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

24 **SECTION 21.1.** The appropriations made by the 2007 General Assembly
 25 for capital improvements are for constructing, repairing, or renovating State buildings,
 26 utilities, and other capital facilities, for acquiring sites for them where necessary, and
 27 acquiring buildings and land for State government purposes.

28
 29 **CAPITAL APPROPRIATIONS/GENERAL FUND**

30 **SECTION 21.2.** There is appropriated from the General Fund for the
 31 2007-2008 fiscal year the following amount for capital improvements:

32	33	34
Capital Improvements – General Fund		2007-2008
35 Department of Administration		
36 Court of Appeals Building Renovation	\$	10,498,000
37 Deerfield Cottage Renovation		3,556,000
38 Green Square Complex – Planning and Design		2,500,000
39		
40 Department of Agriculture		
41 Study and Design Evaluation of the Veterinary		
42 Diagnostic Laboratory System		1,250,000
43 Alkaline Digester		1,200,000
44		
45 State Ports Authority		
46 Capital Improvements at the Ports of Wilmington		
47 and Morehead City		7,500,000
48		
49 Department of Crime Control and Public Safety		
50 Master Planning Statewide		280,200
51 Camp Butner Training Site Buffer		117,800
52 Gastonia Armory Rehab, Addition, and Alteration		527,100
53		
54 Department of Cultural Resources		
55 Horne Creek Farm Visitors Center and Multipurpose Shelter		442,100

1	Museum of History Chronology Exhibit	6,322,900
2		
3	Department of Environment and Natural Resources	
4	Water Quality – Chemistry Lab Office	252,200
5	Ashe County Forestry Headquarters	708,000
6	North Carolina Zoo- Horticulture Equipment	
7	Storage and Work Facility	450,000
8	North Carolina Zoo- Plains Barns and Paddocks	3,006,000
9	Water Resources Development Projects	19,182,000
10		
11	Department of Justice	
12	Addition to SBI Buildings 17 and 18	1,792,006
13	Western Academy Firearms Range Compound	1,974,103
14		
15	Department of Juvenile Justice and Delinquency Prevention	
16	New Youth Development Centers – Security Equipment	1,750,000
17	CA Dillon Maintenance Building	375,000
18	CA Dillon Administrative Offices (Mobile)	200,000
19		
20	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$63,883,409

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

23 **SECTION 21.3.(a)** The Department of Environment and Natural Resources
 24 shall allocate the funds appropriated in this act for water resources development projects
 25 to the following projects whose costs are as indicated:

26	Name of Project	2007-2008
27		
28		
29	(1) Wilmington Harbor Deepening	\$ 8,333,000
30	(2) Manteo (Shallowbag Bay) Channel Maintenance	50,000
31	(3) Wilmington Harbor Maintenance	200,000
32	(4) Bogue Banks Beach Protection	84,000
33	(5) B. Everett Jordan Water Supply Storage	100,000
34	(6) Princeville Flood Control	98,000
35	(7) Aquatic Plant Control, Statewide and Lake Gaston	400,000
36	(8) Belhaven Harbor Breakwater Restoration	250,000
37	(9) John H. Kerr Reservoir Operations Evaluation	400,000
38	(10) Currituck Sound Water Management Study	350,000
39	(11) Neuse River Basin Study	150,000
40	(12) Surf City – N. Topsail Beach Protection (Pender County)	114,000
41	(13) West Onslow Beach (Topsail Beach, Pender County)	43,000
42	(14) Dare County Beach Protection	500,000
43	(15) North Carolina Beach and Inlet Management Plan	250,000
44	(16) Dredging Contingency Fund	2,500,000
45	(17) State-Local WRD Grants	2,000,000
46	(18) Planning Assistance to Communities	95,000
47	(19) North Carolina Oyster Habitat Restoration	300,000
48	(20) Concord Stream Restoration (Cabarrus Co)	1,130,000
49	(21) Southern Shores Canal Dredging Phase II	408,000
50	(22) Ararat River Restoration	852,000
51	(23) Little Sugar Creek Stream Restoration Phase 7	575,000
52		
53	TOTALS	\$ 19,182,000
54		

1 **SECTION 21.3.(b)** Where the actual costs are different from the estimated
2 costs under subsection (a) of this section, the Department may adjust the allocations
3 among projects as needed. If any projects funded under subsection (a) of this section are
4 delayed and the budgeted State funds cannot be used during the 2007-2008 fiscal year,
5 or if the projects funded under subsection (a) of this section are accomplished at a lower
6 cost, the Department may use the resulting fund availability to fund any of the
7 following:

- 8 (1) U.S. Army Corps of Engineers project feasibility studies.
- 9 (2) U.S. Army Corps of Engineers projects whose schedules have
10 advanced and require State-matching funds in fiscal year 2007-2008.
- 11 (3) State-local water resources development projects.

12 Funds not expended or encumbered for these purposes shall revert to the General Fund
13 at the end of the 2008-2009 fiscal year.

14 **SECTION 21.3.(c)** The Department shall make semiannual reports on the
15 use of these funds to the Joint Legislative Commission on Governmental Operations,
16 the Fiscal Research Division, and the Office of State Budget and Management. Each
17 report shall include all of the following:

- 18 (1) All projects listed in this section.
- 19 (2) The estimated cost of each project.
- 20 (3) The date that work on each project began or is expected to begin.
- 21 (4) The date that work on each project was completed or is expected to be
22 completed.
- 23 (5) The actual cost of each project.

24 The semiannual reports shall also show those projects advanced in schedule,
25 those projects delayed in schedule, and an estimate of the amount of funds expected to
26 revert to the General Fund.

27 28 **REPAIR AND RENOVATION RESERVE ALLOCATION**

29 **SECTION 21.4.** Of the funds in the Reserve for Repairs and Renovations
30 for the 2007-2008 fiscal year, forty-six percent (46%) shall be allocated to the Board of
31 Governors of The University of North Carolina for repairs and renovations pursuant to
32 G.S. 143-15.3A, in accordance with guidelines developed in The University of North
33 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
34 approved by the Board of Governors of The University of North Carolina, and fifty-four
35 percent (54%) shall be allocated to the Office of State Budget and Management for
36 repairs and renovations pursuant to G.S. 143-15.3A.

37 The Board of Governors and the Office of State Budget and Management
38 shall consult with the Joint Legislative Commission on Governmental Operations prior
39 to the allocation or reallocation of these funds.

40 41 **PART XXII. BONDS AND OTHER MATTERS**

42
43 **AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS FOR LAND**
44 **ACQUISITION FOR PARKS, RECREATION, AND THE PRESERVATION**
45 **OF NATURAL HERITAGE, AND TO USE FUNDS CURRENTLY**
46 **DEDICATED TO THESE PURPOSES TO REPAY THE INDEBTEDNESS;**
47 **AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS TO**
48 **FINANCE VITAL STATE FACILITIES FOR PUBLIC HEALTH AND**
49 **SAFETY**

50 51 **STATE PARK LAND ACQUISITION**

52 **SECTION 22.(a)** Authorization. – In accordance with G.S. 142-83, this part
53 authorizes the issuance or incurrence of special indebtedness in the maximum principal
54 amount of fifty million dollars (\$50,000,000) to be used to finance the cost of land
55 acquisitions for the expansion of the State Park System and Mountains to Sea Trail.

1 Special indebtedness authorized by this section shall be issued or incurred only in
 2 accordance with Article 9 of Chapter 142 of the General Statutes.

3 **SECTION 22.(b)** Identification of Land Acquisitions. – The specific land
 4 acquisitions for which the special indebtedness may be used are to be identified by the
 5 North Carolina Parks and Recreation Authority for the purpose of expanding the State
 6 Park System and Mountains to Sea Trail pursuant to G.S. 113-44.15 notwithstanding
 7 subsections (b) and (b2) of that section. Land acquisitions shall support the conservation
 8 priorities set out by the One North Carolina Naturally Program.

9 **SECTION 22.(c)** Debt. – The Parks and Recreation Trust Fund shall
 10 reimburse the General Fund for debt service on special indebtedness to be issued or
 11 incurred under Article 9 of Chapter 142 of the General Statutes for the purposes
 12 provided in subsection (a) of this section.
 13

14 **NATURAL HERITAGE LAND ACQUISITION**

15 **SECTION 22.1.(a)** Authorization. – In accordance with G.S. 142-83, this
 16 part authorizes the issuance or incurrence of special indebtedness in the maximum
 17 principal amount of fifty million dollars (\$50,000,000) to be used to finance the cost of
 18 land acquisitions to conserve ecological diversity of the State pursuant to G.S. 113-77.9.
 19 Special indebtedness authorized by this section shall be issued or incurred only in
 20 accordance with Article 9 of Chapter 142 of the General Statutes.

21 **SECTION 22.1.(b)** Identification of Game Land Acquisitions. – The
 22 specific land acquisitions for which the special indebtedness may be used are to be
 23 identified by the Trustees of the Natural Heritage Trust Fund as provided in
 24 G.S. 113-77.9. Land acquisitions shall represent the ecological diversity of the State and
 25 support the conservation priorities set out by the One North Carolina Naturally
 26 Program.

27 **SECTION 22.1.(c)** Debt. – The Natural Heritage Trust Fund shall reimburse
 28 the General Fund for debt service on special indebtedness to be issued or incurred under
 29 Article 9 of Chapter 142 of the General Statutes for the purposes provided in this Part.
 30

31 **PUBLIC HEALTH AND SAFETY CAPITAL PROJECTS**

32 **SECTION 22.2.(d)** Authorization – In accordance with G.S. 142-83, this
 33 section authorizes the issuance or incurrence of special indebtedness in the following
 34 maximum principal amounts to finance the costs of the following projects.
 35

36 Amount	37 Project
38 \$13,191,300	39 Planning, design, and construction of a 252- 40 bed minimum security addition to the 41 Alexander Correctional Institution.
42 \$19,816,500	43 Planning, design, and construction of a 504 44 bed medium security addition to the Scotland 45 Correctional Institution.
46 \$39,763,100	47 To the Department of Correction for planning, 48 design, and construction of a women's health 49 and mental health medical facility.
50 \$26,580,000	51 To the Department of Justice for planning, 52 design, and construction of a State Highway 53 Patrol multipurpose building at the Garner 54 Road campus.

1 \$10,000,000 To Information Technology Services for
 2 servers, routers, and equipment for the
 3 Secondary Data Center.
 4

5 \$109,350,900 Total
 6

7 **MAXIMUM AMOUNT**

8 **SECTION 22.3.** Except as otherwise provided by this act, the aggregate
 9 amount of special indebtedness issued pursuant to Sections 22.1 and 22.2 of this act
 10 shall not exceed two hundred nine million three hundred fifty thousand nine hundred
 11 dollars (\$209,350,900). The maximum aggregate special indebtedness issued pursuant
 12 to Parts 1, 2, and 3 shall not exceed the following amounts for each fiscal year:

<u>Fiscal Year</u>	<u>Land Acquisition</u>	<u>Health & Safety</u>	<u>Total Aggregate Amount</u>
2007-2008	\$40,000,000	\$40,000,000	\$80,000,000
2008-2009	\$30,000,000	\$40,000,000	\$70,000,000
2009-2010	\$30,000,000	\$29,350,900	\$59,350,900

13
 14
 15
 16
 17 If less than the aggregate amount of special indebtedness authorized to be issued in a
 18 fiscal year is issued in that fiscal year, the balance for that fiscal year may be issued in
 19 any subsequent fiscal year.
 20

21 **GENERAL PROVISIONS**

22 **SECTION 22.4.(a)** It is the intent of the General Assembly that the proceeds
 23 of special indebtedness issued pursuant to Sections 22.1 and 22.2 of this act shall be
 24 applied for the purposes provided in this Part, including the acquisition by conservation
 25 easement in Parts 1 and 2.

26 **SECTION 22.4.(b)** None of the proceeds of special indebtedness authorized
 27 by Parts 1 and 2 of this act may be used to acquire any property by eminent domain.

28 **SECTION 22.4.(c)** The provisions of this act are severable. If any provision
 29 of this act is held invalid by a court of competent jurisdiction, the invalidity does not
 30 affect other provisions of the act that can be given effect without the invalid provision.
 31

32 **AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE**
 33 **STATE TO PROVIDE FOR NECESSARY CAPITAL FACILITIES**

34 **SECTION 22.5.(a) Purpose.** The General Assembly finds that State
 35 government and university facilities are inadequate to serve North Carolina's rapidly
 36 growing population. It is the intent of the General Assembly by this act to provide for
 37 necessary capital facilities by authorizing the issuance of general obligation bonds of the
 38 State.

39 **SECTION 22.5.(b) Definitions.** As used in this act, unless the context
 40 otherwise requires:

- 41 (1) "Bonds" means bonds issued under this act.
- 42 (2) "Capital Facility" means any one or more of the following:
 - 43 a. One or more buildings, utilities, structures, or other facilities or
 - 44 property developments, including streets and landscaping, and
 - 45 the acquisition of equipment and furnishings in connection
 - 46 therewith.
 - 47 b. Additions, extensions, enlargements, renovations, and
 - 48 improvements to existing buildings, utilities, structures, or other
 - 49 facilities or property developments, including streets and
 - 50 landscaping.
 - 51 c. Land or an interest in land.
- 52 (3) "Cost" means, without intending thereby to limit or restrict any proper
 53 definition of this term in financing the cost of facilities or purposes
 54 authorized by this act:

- 1 a. The cost of constructing, reconstructing, enlarging, acquiring,
2 and improving facilities, and acquiring equipment and land
3 therefore,
4 b. The cost of engineering, architectural, and other consulting
5 services as may be required,
6 c. Administrative expenses and charges,
7 d. Finance charges and interest prior to and during construction
8 and, if deemed advisable by the State Treasurer, for a period not
9 exceeding two years after the estimated date of completion of
10 construction,
11 e. The cost of bond insurance, investment contracts, credit
12 enhancement and liquidity facilities, interest-rate swap
13 agreements or other derivative products, financial and legal
14 consultants, and related costs of bond and note issuance, to the
15 extent and as determined by the State Treasurer,
16 f. The cost of reimbursing the State for any payments made for
17 any cost described above, and
18 g. Any other costs and expenses necessary or incidental to the
19 purposes of this act. Allocations in this act of proceeds of bonds
20 to the costs of a project or undertaking in each case may include
21 allocations to pay the costs set forth in items c., d., e., f., and g.
22 in connection with the issuance of bonds for the project or
23 undertaking.
- 24 (4) "Credit Facility" means an agreement entered into by the State
25 Treasurer on behalf of the State with a bank, savings and loan
26 association, or other banking institution, an insurance company,
27 reinsurance company, surety company, or other insurance institution, a
28 corporation, investment banking firm, or other investment institution,
29 or any financial institution or other similar provider of a credit facility,
30 which provider may be located within or without the United States of
31 America, such agreement providing for prompt payment of all or any
32 part of the principal or purchase price (whether at maturity,
33 presentment or tender for purchase, redemption, or acceleration),
34 redemption premium, if any, and interest on any bonds or notes
35 payable on demand or tender by the owner, in consideration of the
36 State agreeing to repay the provider of the credit facility in accordance
37 with the terms and provisions of such agreement.
- 38 (5) "Notes" means notes issued under this act.
- 39 (6) "Par Formula" means any provision or formula adopted by the State to
40 provide for the adjustment, from time to time, of the interest rate or
41 rates borne by any bonds or notes, including:
42 a. A provision providing for such adjustment so that the purchase
43 price of such bonds or notes in the open market would be as
44 close to par as possible,
45 b. A provision providing for such adjustment based upon a
46 percentage or percentages of a prime rate or base rate, which
47 percentage or percentages may vary or be applied for different
48 periods of time, or
49 c. Such other provision as the State Treasurer may determine to be
50 consistent with this act and will not materially and adversely
51 affect the financial position of the State and the marketing of
52 bonds or notes at a reasonable interest cost to the State.
- 53 (7) "State" means State of North Carolina.

54 **SECTION 22.5.(c) Authorization of bonds and notes.** Subject to a
55 favorable vote of a majority of the qualified voters of the State who vote on the question

1 of issuing general obligation bonds in the election held as provided by law, the State
 2 Treasurer may, by and with the consent of the Council of State, issue and sell, at one
 3 time or from time to time, general obligation bonds of the State to be designated "State
 4 of North Carolina Capital Facilities Bonds," with any additional designations as may be
 5 determined to indicate the issuance of bonds from time to time, or notes of the State.
 6 Except as otherwise provided by this act, the aggregate amount of bonds and notes
 7 issued pursuant to this act shall not exceed one billion one hundred sixty-three million
 8 nine hundred sixty-seven thousand dollars (\$1,163,967,000). The bonds and notes may
 9 be issued in the following years up to the following amounts:

<u>Fiscal Year</u>	<u>Aggregate Amount</u>
10 2007-2008	\$200,000,000
11 2008-2009	\$275,000,000
12 2009-2010	\$275,000,000
13 2010-2011	\$250,000,000
14 2011-2012	\$163,967,000

15
 16 If less than the aggregate amount of bonds or notes authorized to be issued in a fiscal
 17 year is issued in that fiscal year, the balance for that fiscal year may be issued in any
 18 subsequent fiscal year. Refunding bonds and notes issued pursuant to this section shall
 19 not be included in the limitation on the aggregate amount of bonds and notes that may
 20 be issued pursuant to this Part.

21 **SECTION 22.5.(d) Proceeds of State Capital Facilities General**
 22 **Obligation Bonds.** The proceeds of general obligation bonds and notes, including any
 23 premium thereon, except the proceeds of general obligation bonds the issuance of which
 24 has been anticipated by bond anticipation notes or the proceeds of refunding bonds or
 25 notes, shall be allocated and expended for paying the cost of capital facilities, to the
 26 extent and as provided in this section, as enacted by this act and subject to change as
 27 provided in this act, as follows:

Name of Project	Amount
28 Department of Administration	
29 Capital Area Visitor Center	\$28,000,000
30 Green Square Complex	\$100,250,000
31	
32 Department of Cultural Resources	
33 Tryon Palace History Education and Visitor Center	\$35,000,000
34 State Records Center and Library for the Blind and	
35 Physically Handicapped	\$32,000,000
36	
37 Department of Correction	
38 Bertie, Scotland, Tabor Correctional Institution	
39 Minimum Security Additions	\$40,264,400
40 Bertie, Lanesboro, Maury Correctional Institution	
41 Medium Security Additions	\$50,044,900
42 Alexander, Maury Correctional Institution Medical	
43 and Mental Health Additions	\$118,569,600
44 New Adult Male Minimum Security Facility	\$28,199,400
45	
46 Department of Justice	
47 State Bureau of Investigation Operations Building	\$34,169,600
48	
49 Department of Juvenile Justice and Delinquency Prevention	
50 Five New Youth Development Centers	\$37,000,000
51	
52 Department of Health and Human Services	
53 New Office Complex	\$173,200,000
54	
55	

1	University of North Carolina Board of Governors	
2	Appalachian State University – College of Education Building	\$34,001,000
3	East Carolina University – School of Dentistry	\$87,000,000
4	Fayetteville State University – Science and Technology Complex	\$22,587,000
5	North Carolina A&T – General Classroom Instructional Facility	\$25,787,000
6	North Carolina School of the Arts – Library	\$24,920,000
7	North Carolina State University – Companion Animal Hospital	\$38,000,000
8	University of North Carolina at Asheville –	
9	Rhoades Hall and Rhoades Tower Renovation	\$8,687,000
10	University of North Carolina at Chapel Hill –	
11	Genomics Sciences Building	\$119,608,225
12	University of North Carolina at Greensboro –	
13	Academic Classroom and Office Building	\$45,167,000
14	University of North Carolina at Pembroke – Residence Hall	\$19,000,000
15	Western Carolina University – Health and	
16	Gerontological Sciences Building	\$43,805,000
17	Winston-Salem State University – Student Activities Center	\$18,707,775
18		Total
19		\$1,163,967,900

20 **SECTION 22.5.(e) Limitations on Issuance**

- 21 (1) No bonds may be issued for the following projects prior to July 1,
22 2008:
- 23 a. Five New Youth Development Centers
 - 24 b. State Records Center and Library for the Blind and Physically
25 Handicapped
- 26 (2) No bonds may be issued for the following projects prior to July 1,
27 2009.
- 28 a. DHHS – New Office Complex
 - 29 b. SBI Operations Building
 - 30 c. Alexander and Maury Correctional Institutions Medical and
31 Mental Health Additions
 - 32 d. New Adult Male Minimum Security Facility

33 **SECTION 22.5.(f) Debt Service for Certain Projects**

- 34 (1) Department of Health and Human Services – New Office Complex
35 Recurring savings realized from the closure of existing facilities and
36 current rent budgets for personnel who will be relocated to the new
37 office complex and federal funds earned annually through depreciation
38 and interest write-off shall not revert to the General Fund but shall be
39 used for the payment of debt service for the construction of the new
40 office complex.
- 41 (2) Green Square Complex
- 42 a. The Friends of the Museum shall reimburse the General Fund
43 for debt service on the bonds issued to construct the Nature
44 Resource Center in the Green Square Complex in amount
45 sufficient to amortize twenty-seven million five hundred
46 thousand dollars (\$27,500,000).
 - 47 b. Recurring savings realized from the closure of existing facilities
48 and current rent budgets for personnel who will be relocated to
49 the new Green Square Complex and federal funds earned
50 annually through depreciation and interest write-off shall not
51 revert to the General Fund but shall be used for the payment of
52 debt service for the construction of the new DENR Office
53 Building.

54 **SECTION 22.5.(g) Election.** – The question of the issuance of the bonds
55 authorized by this act shall be submitted to the qualified voters of the State at an

1 election to be held on the first Tuesday after the first Monday of November 2007. Any
2 other primary, election, or referendum validly called or scheduled by law at the time the
3 election on the bond question provided for in this section is held may be held as called
4 or scheduled. Notice of the election shall be given in the manner and at the times
5 required by G.S. 163-33(8). The election and the registration of voters therefor shall be
6 held under and in accordance with the general laws of the State. Absentee ballots shall
7 be authorized in the election.

8 The State Board of Elections shall reimburse the counties of the State for all
9 necessary expenses incurred in holding the election that are in addition to those that
10 would have otherwise been incurred, the same to be paid out of the Contingency and
11 Emergency Fund or other funds available to the State Board of Elections.

12 Ballots, voting systems authorized by Article 14 of Chapter 163 of the
13 General Statutes, or both may be used in accordance with rules prescribed by the State
14 Board of Elections. The bond questions to be used in the ballots or voting systems shall
15 be in substantially the following form:

16 FOR AGAINST
17 the issuance of one billion one hundred sixty-three million nine hundred
18 sixty-seven thousand nine hundred dollars (\$1,163,967,900) State of North Carolina
19 2007 Capital Facilities Bonds constituting general obligation bonds of the State secured
20 by a pledge of the faith and credit and taxing power of the State for the purpose of
21 providing funds, with any other available funds, to provide necessary capital facilities."

22 If a majority of those voting on the bond question in the election vote in favor
23 of the issuance of the bonds, those bonds may be issued as provided in this act. If a
24 majority of those voting on the bond question in the election vote against the issuance of
25 the bonds, those bonds shall not be issued.

26 The results of the election shall be canvassed and declared as provided by law
27 for elections for State officers; the results of the election shall be certified by the State
28 Board of Elections to the Secretary of State, in the manner and at the time provided by
29 the general election laws of the State.

30 **SECTION 22.5.(h) General provisions. –**

- 31 (1) Any additional moneys which may be received by means of a grant or
32 grants from the United States or any agency or department thereof or
33 from any other source to aid in financing the cost of a capital facility
34 may be disbursed, to the extent permitted by the terms of the grant or
35 grants, without regard to any limitations imposed by this Article.
36 (2) Any capital facility and the amount of the allocation for it set forth
37 above may be changed from time to time as the General Assembly
38 may decide.

39 **SECTION 22.5.(i) Issuance of bonds and notes.**

- 40 (1) Terms and Conditions. – Bonds or notes may bear such date or dates,
41 may be serial or term bonds or notes, or any combination thereof, may
42 mature in such amounts and at such time or times, not exceeding 40
43 years from their date or dates, may be payable at such place or places,
44 either within or without the United States of America, in such coin or
45 currency of the United States of America as at the time of payment is
46 legal tender for payment of public and private debts, may bear interest
47 at such rate or rates, which may vary from time to time, and may be
48 made redeemable before maturity, at the option of the State or
49 otherwise as may be provided by the State, at such price or prices,
50 including a price less than the face amount of the bonds or notes, and
51 under such terms and conditions, all as may be determined by the State
52 Treasurer, by and with the consent of the Council of State.
53 (2) Signatures; Form and Denomination; Registration. – Bonds or notes
54 may be issued as certificated or uncertificated obligations. If issued as
55 certificated obligations, bonds or notes shall be signed on behalf of the

1 State by the Governor or shall bear his or her facsimile signature, shall
2 be signed by the State Treasurer or shall bear his or her facsimile
3 signature, and shall bear the Great Seal of the State or a facsimile
4 thereof shall be impressed or imprinted thereon. If bonds or notes bear
5 the facsimile signatures of the Governor and the State Treasurer, the
6 bonds or notes shall also bear a manual signature which may be that of
7 a bond registrar, trustee, paying agent, or designated assistant of the
8 State Treasurer. Should any officer whose signature or facsimile
9 signature appears on bonds or notes cease to be such officer before the
10 delivery of the bonds or notes, the signature or facsimile signature
11 shall nevertheless have the same validity for all purposes as if the
12 officer had remained in office until delivery, and bonds or notes may
13 bear the facsimile signatures of persons who at the actual time of the
14 execution of the bonds or notes shall be the proper officers to sign any
15 bond or note although at the date of the bond or note such persons may
16 not have been such officers. The form and denomination of bonds or
17 notes, including the provisions with respect to registration of the bonds
18 or notes and any system for their registration, shall be as the State
19 Treasurer may determine in conformity with this act; provided,
20 however, that nothing in this act shall prohibit the State Treasurer from
21 proceeding, with respect to the issuance and form of the bonds or
22 notes, under the provisions of Chapter 159E of the General Statutes,
23 the Registered Public Obligations Act, as well as under this act.

24 (3) Manner of Sale; Expenses. – Subject to determination by the Council
25 of State as to the manner in which bonds or notes shall be offered for
26 sale, whether at public or private sale, whether within or without the
27 United States of America, and whether by publishing notices in certain
28 newspapers and financial journals, mailing notices, inviting bids by
29 correspondence, negotiating contracts of purchase or otherwise, the
30 State Treasurer is authorized to sell bonds or notes at one time or from
31 time to time at such rate or rates of interest, which may vary from time
32 to time, and at such price or prices, including a price less than the face
33 amount of the bonds or the notes, as the State Treasurer may
34 determine. All expenses incurred in preparation, sale, and issuance of
35 bonds or notes shall be paid by the State Treasurer from the proceeds
36 of bonds or notes or other available moneys.

37 a. Notes; repayment.

38 b. By and with the consent of the Council of State, the State
39 Treasurer is hereby authorized to borrow money and to execute
40 and issue notes of the State for the same, but only in the
41 following circumstances and under the following conditions:

42 1. For anticipating the sale of bonds to the issuance of
43 which the Council of State shall have given consent, if
44 the State Treasurer shall deem it advisable to postpone
45 the issuance of the bonds;

46 2. For the payment of interest on or any installment of
47 principal of any bonds then outstanding, if there shall not
48 be sufficient funds in the State treasury with which to
49 pay the interest or installment of principal as they
50 respectively become due;

51 3. For the renewal of any loan evidenced by notes herein
52 authorized;

53 4. For the purposes authorized in this act; and

54 5. For refunding bonds or notes as herein authorized.

- 1 c. Funds derived from the sale of bonds or notes may be used in
2 the payment of any bond anticipation notes issued under this
3 act. Funds provided by the General Assembly for the payment
4 of interest on or principal of bonds shall be used in paying the
5 interest on or principal of any notes and any renewals thereof,
6 the proceeds of which shall have been used in paying interest on
7 or principal of the bonds.
- 8 d. Refunding Bonds and Notes. By and with the consent of the
9 Council of State, the State Treasurer is authorized to issue and
10 sell refunding bonds and notes pursuant to the provisions of the
11 State Refunding Bond Act for the purpose of refunding bonds
12 or notes issued pursuant to this act. The refunding bonds and
13 notes may be combined with any other issues of State bonds
14 and notes similarly secured.
- 15 e. Tax Exemption. Bonds and notes shall be exempt from all
16 State, county, and municipal taxation or assessment, direct or
17 indirect, general or special, whether imposed for the purpose of
18 general revenue or otherwise, excluding inheritance and gift
19 taxes, income taxes on the gain from the transfer of bonds and
20 notes, and franchise taxes. The interest on bonds and notes
21 shall not be subject to taxation as to income.
- 22 f. Investment Eligibility. Bonds and notes are hereby made
23 securities in which all public officers, agencies, and public
24 bodies of the State and its political subdivisions, all insurance
25 companies, trust companies, investment companies, banks,
26 savings banks, savings and loan associations, credit unions,
27 pension or retirement funds, other financial institutions engaged
28 in business in the State, executors, administrators, trustees, and
29 other fiduciaries may properly and legally invest funds,
30 including capital in their control or belonging to them. Bonds
31 and notes are hereby made securities which may properly and
32 legally be deposited with and received by any officer or agency
33 of the State or political subdivision of the State for any purpose
34 for which the deposit of bonds, notes, or obligations of the State
35 or any political subdivision is now or may hereafter be
36 authorized by law.
- 37 g. Faith and Credit. The faith and credit and taxing power of the
38 State are hereby pledged for the payment of the principal of and
39 the interest on bonds and notes. In addition to the State's right to
40 amend any provision of this act to the extent it does not impair
41 any contractual right of a bond owner, the State expressly
42 reserves the right to amend any provision of this act with
43 respect to the making and repayment of loans, the disposition of
44 any repayments of loans, and any intercept provisions relating
45 to the failure of a local government unit to repay a loan, the
46 bonds not being secured in any respect by loans, any
47 repayments thereof, or any intercept provisions with respect
48 thereto.

49 **SECTION 22.5.(j) Minority Business Participation.** – The goals set by
50 G.S. 143-128 for participation in projects by minority businesses apply to projects
51 funded by the proceeds of bonds or notes issued under this act. The Department of
52 Administration shall monitor compliance with regard to projects funded by the proceeds
53 of bonds and notes and shall report to the General Assembly by January 1 of each year
54 on the participation by minority businesses in these projects.

1 The State Treasurer shall provide contracting opportunities for historically
2 underutilized businesses in providing professional services in connection with the
3 issuance of bonds and notes authorized by this act. As used in this subsection, the term
4 "historically underutilized business" means a business described in G.S. 143-48. The
5 State Treasurer shall strive to increase the amount of legal, financial, and other
6 professional services acquired by it from historically underutilized businesses. With the
7 assistance of the Office for Historically Underutilized Businesses in the Department of
8 Administration, the State Treasurer shall set objectives for contracting with these
9 businesses, identify and eliminate barriers or constraints that may restrict these
10 businesses from contracting with the State Treasurer, and develop a plan for meeting
11 these objectives. The State Treasurer shall report quarterly to the Office for Historically
12 Underutilized Businesses on its progress in carrying out the requirements of this
13 subsection.

14 **SECTION 22.5.(k) Other Agreements.** – The State Treasurer may
15 authorize, execute, obtain, or otherwise provide for bond insurance, investment
16 contracts, credit and liquidity facilities, interest rate swap agreements and other
17 derivative products, and any other related instruments and matters the State Treasurer
18 determines are desirable in connection with the issuance, incurrence, carrying, or
19 securing of bonds or notes. Subject to the provisions of Section 9 of this act, the State
20 Treasurer is authorized to employ and designate any financial consultants, underwriters,
21 and bond attorneys to be associated with any bond issue under this act as the State
22 Treasurer considers necessary.

23 **SECTION 22.5.(l) Variable interest rates.** – In fixing the details of bonds
24 and notes, the State Treasurer may provide that any of the bonds or notes may:

- 25 (1) Be made payable from time to time on demand or tender for purchase
26 by the owner thereof provided a credit facility supports the bonds or
27 notes, unless the State Treasurer specifically determines that a credit
28 facility is not required upon a finding and determination by the State
29 Treasurer that the absence of a credit facility will not materially or
30 adversely affect the financial position of the State and the marketing of
31 the bonds or notes at a reasonable interest cost to the State;
- 32 (2) Be additionally supported by a credit facility;
- 33 (3) Be made subject to redemption or a mandatory tender for purchase
34 prior to maturity;
- 35 (4) Bear interest at a rate or rates that may vary for such period or periods
36 of time, all as may be provided in the proceedings providing for the
37 issuance of the bonds or notes, including, without limitation, such
38 variations as may be permitted pursuant to a par formula; and
- 39 (5) Be made the subject of a remarketing agreement whereby an attempt is
40 made to remarket bonds or notes to new purchasers prior to their
41 presentment for payment to the provider of the credit facility or to the
42 State.

43 If the aggregate principal amount repayable by the State under a credit facility
44 is in excess of the aggregate principal amount of bonds or notes secured by the credit
45 facility, whether as a result of the inclusion in the credit facility of a provision for the
46 payment of interest for a limited period of time or the payment of a redemption
47 premium or for any other reason, then the amount of authorized but unissued bonds or
48 notes during the term of such credit facility shall not be less than the amount of such
49 excess, unless the payment of such excess is otherwise provided for by agreement of the
50 State executed by the State Treasurer.

51
52 **AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE**
53 **STATE TO PROVIDE WATER AND WASTEWATER CAPITAL**
54 **IMPROVEMENTS**

1 **SECTION 22.6.(a) Purpose.** – It is the intent of the General Assembly by
2 this act to provide for the issuance of general obligation bonds of the State and to
3 provide that the proceeds realized from the sale of the bonds shall be allocated as
4 follows:

- 5 (1) Water System Improvements. – One hundred twenty-five million
6 dollars (\$125,000,000) to provide grants and zero percent (0%) interest
7 loans for qualified water systems to increase capacity and reliability
8 through interconnections and regional linkages and upgrade systems to
9 maintain service levels. Up to five million dollars (\$5,000,000) may be
10 used to provide technical assistance to local systems to analyze water
11 system problems and prepare plans for improvements.
- 12 (2) Wastewater System Improvements. – One hundred twenty-five million
13 dollars (\$125,000,000) to provide grants and zero (0%) interest loans
14 for qualified systems which are under SOC (consent agreements to
15 address serious problems), moratorium on new connections, or
16 substandard collection systems with high infiltration. Up to five
17 million dollars (\$5,000,000) may be used to provide technical
18 assistance to local systems to analyze wastewater system problems and
19 prepare plans for improvements.

20 **SECTION 22.6.(b) Definitions.** – As used in this section, unless the context
21 otherwise requires:

22 (a) "Bonds" means bonds issued under this act.

23 (b) "Capital improvement plan" means a report that identifies water and
24 sewer infrastructure and capital needs that address planned and strategic growth. It shall
25 include an assessment of current water and wastewater systems and a projection of
26 those infrastructure needs over a 20-year horizon. The report shall take into
27 consideration government mandates, usefulness of the improvements to the community
28 and the effect on both short- and long-term operation and maintenance of the scheduled
29 improvements and identify alternatives for meeting the identified need including
30 regionalization, consolidation and system mergers, water reuse and conservation.

31 (c) "Clean Water Revolving Loan and Grant Act" means Chapter 796 of
32 the 1987 Session Laws, as amended from time to time, codified as Chapter 159G of the
33 General Statutes.

34 (d) "Clean Water Revolving Loan and Grant Fund" means the Clean
35 Water Revolving Loan and Grant Fund as defined in the Clean Water Revolving Loan
36 and Grant Act.

37 (e) "Cost" means, without intending thereby to limit or restrict any proper
38 definition of this term in financing the cost of facilities or purposes authorized by this
39 act:

- 40 (1) The cost of constructing, reconstructing, enlarging, acquiring, and
41 improving facilities, and acquiring equipment and land therefor,
42 (2) The cost of engineering, architectural, and other consulting services as
43 may be required,
44 (3) Administrative expenses and charges,
45 (4) Finance charges and interest prior to and during construction and, if
46 deemed advisable by the State Treasurer, for a period not exceeding
47 two years after the estimated date of completion of construction,
48 (5) The cost of bond insurance, investment contracts, credit enhancement
49 and liquidity facilities, interest-rate swap agreements or other
50 derivative products, financial and legal consultants, and related costs
51 of bond and note issuance, to the extent and as determined by the State
52 Treasurer,
53 (6) The cost of reimbursing the State for any payments made for any cost
54 described above, and

- 1 (7) Any other costs and expenses necessary or incidental to the purposes
2 of this act.
3 Allocations in this act of proceeds of bonds to the costs of a project or
4 undertaking in each case may include allocations to pay the costs set
5 forth in items (3) through (5) in connection with the issuance of bonds
6 for the project or undertaking.
- 7 (f) "Credit facility" means an agreement entered into by the State
8 Treasurer on behalf of the State with a bank, savings and loan association, or other
9 banking institution, an insurance company, reinsurance company, surety company, or
10 other insurance institution, a corporation, investment banking firm, or other investment
11 institution, or any financial institution or other similar provider of a credit facility,
12 which provider may be located within or without the United States of America, such
13 agreement providing for prompt payment of all or any part of the principal or purchase
14 price (whether at maturity, presentment or tender for purchase, redemption, or
15 acceleration), redemption premium, if any, and interest on any bonds or notes payable
16 on demand or tender by the owner, in consideration of the State agreeing to repay the
17 provider of the credit facility in accordance with the terms and provisions of such
18 agreement.
- 19 (g) "Local government units" means local government units as defined in
20 the Clean Water Revolving Loan and Grant Act.
- 21 (h) "Notes" means notes issued under this act.
- 22 (i) "Par formula" means any provision or formula adopted by the State to
23 provide for the adjustment, from time to time, of the interest rate or rates borne by any
24 bonds or notes, including:
- 25 (1) A provision providing for such adjustment so that the purchase price of
26 such bonds or notes in the open market would be as close to par as
27 possible,
- 28 (2) A provision providing for such adjustment based upon a percentage or
29 percentages of a prime rate or base rate, which percentage or
30 percentages may vary or be applied for different periods of time, or
- 31 (3) Such other provision as the State Treasurer may determine to be
32 consistent with this act and will not materially and adversely affect the
33 financial position of the State and the marketing of bonds or notes at a
34 reasonable interest cost to the State.
- 35 (j) "School water or wastewater project" means a project to provide clean
36 water or wastewater treatment for a school by upgrading, replacing, or constructing
37 school water or wastewater facilities.
- 38 (k) "State" means the State of North Carolina.
- 39 (l) "Wastewater collection systems" means wastewater collection systems
40 as defined in the Clean Water Revolving Loan and Grant Act.
- 41 (m) "Wastewater treatment works" means wastewater treatment works as
42 defined in the Clean Water Revolving Loan and Grant Act.
- 43 (n) "Water conservation projects" include, but are not limited to, any
44 construction, repair, renovation, expansion, replacement of components, or other capital
45 improvement, including related equipment and land acquisition, designed to:
- 46 (1) Eliminate the wasteful or unnecessary use or loss of water in the
47 operations of a wastewater collection system, wastewater treatment
48 works, or water supply system; or
- 49 (2) Enhance the operation of a wastewater collection system, wastewater
50 treatment works, or water supply system to provide a more efficient
51 use of water.
- 52 (o) "Water Pollution Control Revolving Fund" means the fund described
53 by G.S. 159G-4(a) and G.S. 159G-5(c).
- 54 (p) "Water reuse" means the actual use or application of treated
55 wastewater in or on areas which require water but do not require potable water quality.

1 (q) "Water supply systems" means water supply systems as defined in the
2 Clean Water Revolving Loan and Grant Act.

3 **SECTION 22.6.(e) Authorization of bonds and notes.** Subject to a
4 favorable vote of a majority of the qualified voters of the State who vote on the question
5 of issuing Clean Water Bonds in the election called and held as provided in this act, the
6 State Treasurer is hereby authorized, by and with the consent of the Council of State, to
7 issue and sell, at one time or from time to time, general obligation bonds of the State to
8 be designated "State of North Carolina Clean Water Bonds", with any additional
9 designations as may be determined to indicate the issuance of bonds from time to time,
10 or notes of the State as provided in this act, in an aggregate principal amount not
11 exceeding two hundred fifty million dollars (\$250,000,000) for the purpose of providing
12 funds, with any other available funds, for the purposes authorized in this act. The bonds
13 and notes may be issued in the following years up to the following amounts:

<u>Fiscal Year</u>	<u>Aggregate Amount</u>
15 2007-2008	\$100,000,000
16 2008-2009	\$ 37,500,000
17 2009-2010	\$ 37,500,000
18 2010-2011	\$ 37,500,000
19 2011-2012	\$ 37,500,000

20
21 If less than the aggregate amount of bonds or notes authorized to be issued in a fiscal
22 year is issued in that fiscal year, the balance for that fiscal year may be issued in any
23 subsequent fiscal year. Refunding bonds and notes issued pursuant to Section 12(e) of
24 this act shall not be included in the limitation on the aggregate amount of bonds and
25 notes that may be issued pursuant to this act.

26 **SECTION 22.6.(f) Use of Clean Water Bond and note proceeds. –**

27 (a) The funds to be derived from the sale of the Clean Water Bonds
28 authorized by this act are sufficient to meet no more than a fraction of the needs that
29 now exist and will arise in the immediate future. For this reason, the Department of
30 Natural Resources shall use the criteria indicated in G.S. 159G-23 as the primary
31 consideration in granting and loaning funds.

32 (b) Preference will be given to projects that include consolidation,
33 cooperation, interconnections, and regional linkages among small systems to achieve
34 operational efficiencies, address environmental issues, promote water conservation, and
35 improve water quality.

36 (c) Only systems with water and sewer rates equal to or greater than one
37 and one-half percent (1.5%) of median household income are eligible for grants.

38 (d) No more than three million dollars (\$3,000,000) shall be provided as a
39 grant or loan to an individual water or wastewater system. A water system and a
40 wastewater system are considered separate units when applying this maximum.

41 (e) The proceeds shall be transferred to the Clean Water Revolving Loan
42 and Grant Fund to make grants to the appropriate local government unit qualifying for a
43 grant from the Clean Water Revolving Loan and Grant Fund in accordance with the
44 provisions of this act and the Clean Water Revolving Loan and Grant Act.

45 (f) A county may apply for a grant on behalf of a rural school located in
46 the county for a school water or wastewater project.

47 **SECTION 22.6.(g) Prohibited Use of Clean Water Bonds Proceeds. –**

48 Proceeds from the sale of the Clean Water Bonds shall not be used to construct new
49 water or sewer lines to provide water or sewer connections in any area that has been
50 designated as WS-I or the critical area of any area that has been designated as WS-II,
51 WS-III, or WS-IV by the Environmental Management Commission pursuant to
52 G.S. 143-214.5. The Secretary of Environment and Natural Resources may grant a
53 waiver to allow construction of new water or sewer lines and to provide water or sewer
54 connections if the Secretary finds that granting the waiver is necessary to protect public
55 health or water quality. A waiver granted by the Secretary under this subsection shall

1 include a requirement that the water or sewer line shall be designed and sized to address
2 only the public health or water quality concerns on which the waiver is based and shall
3 not allow for additional connections beyond those necessary to protect public health and
4 water quality. This subsection does not prohibit the repair or replacement of existing
5 water or sewer lines. In addition, the proceeds shall not be used for the repair,
6 installation, or replacement of a low-pressure pipe wastewater system with another
7 low-pressure pipe wastewater system.

8 **SECTION 22.6.(h) Election.** – The question of the issuance of the bonds
9 authorized by this act shall be submitted to the qualified voters of the State at an
10 election to be held on the first Tuesday after the first Monday of November 2007. Any
11 other primary, election, or referendum validly called or scheduled by law at the time the
12 election on the bond question provided for in this section is held may be held as called
13 or scheduled. Notice of the election shall be given in the manner and at the times
14 required by G.S. 163-33(8). The election and the registration of voters therefor shall be
15 held under and in accordance with the general laws of the State. Absentee ballots shall
16 be authorized in the election.

17 The State Board of Elections shall reimburse the counties of the State for all
18 necessary expenses incurred in holding the election that are in addition to those that
19 would have otherwise been incurred, the same to be paid out of the Contingency and
20 Emergency Fund or other funds available to the State Board of Elections.

21 Ballots, voting systems authorized by Article 14 of Chapter 163 of the
22 General Statutes, or both, may be used in accordance with rules prescribed by the State
23 Board of Elections. The bond questions to be used in the ballots or voting systems shall
24 be in substantially the following form:

25 FOR AGAINST
26 the issuance of two hundred fifty million dollars (\$250,000,000) State of
27 North Carolina 2007 Clean Water Bonds constituting general obligation bonds of the
28 State secured by a pledge of the faith and credit and taxing power of the State for the
29 purpose of providing funds, with any other available funds, to make loans and grants to
30 local government units to pay all or a portion of the cost of water and wastewater capital
31 improvement projects."

32 If a majority of those voting on a bond question in the election vote in favor
33 of the issuance of the bonds described in the question, those bonds may be issued as
34 provided in this act. If a majority of those voting on a bond question in the election vote
35 against the issuance of the bonds described in the question, those bonds shall not be
36 issued.

37 The results of the election shall be canvassed and declared as provided by law
38 for elections for State officers; the results of the election shall be certified by the State
39 Board of Elections to the Secretary of State, in the manner and at the time provided by
40 the general election laws of the State.

41 **SECTION 22.6.(i) General Provisions.** –

42 (a) The proceeds shall be used to make loans directly to local government
43 units qualifying for a loan from the Clean Water Revolving Loan and Grant Fund or
44 loaned in such other manner as shall effectuate the purposes of this act. To qualify for a
45 loan for the purpose of paying the cost of water supply systems, a local government unit
46 must have a water supply facility plan approved by the Department of Environment and
47 Natural Resources. A water supply facility plan submitted by a local government unit
48 to the Department under G.S. 143-355(l) will be sufficient to meet this requirement. To
49 qualify for a loan for the purpose of paying the cost of wastewater collection systems or
50 wastewater treatment works, a local government unit must have a wastewater facility
51 plan approved by the Department of Environment and Natural Resources. A
52 wastewater facility plan must project future wastewater treatment needs, must present a
53 long-range plan to meet those needs, and must include plans for system operations and
54 maintenance of the facilities being built with the bond proceeds.

1 (b) The form of the loans and the details thereof including, without
2 limitation, the maturity and amortization schedule shall be determined, from time to
3 time, by the State Treasurer. In making these determinations, the State Treasurer shall
4 consider the purpose of the loans, the ability of local government units to repay the
5 loans, and the security for the loans. The interest rates on these loans shall be zero
6 percent (0%). Payments shall be sufficient to repay the principal portion of the debt
7 service on the Clean Water Bonds.

8 (c) Repayments of the loans shall be credited to the General Fund and
9 may be used to pay, directly or indirectly, debt service on the bonds and notes issued.
10 Repayments may be initially placed into such fund or account as may be determined by
11 the State Treasurer for the purpose of determining compliance with applicable
12 requirements of the federal tax law and shall be expended and disbursed therefrom
13 under the direction and supervision of the Director of the Budget.

14 **SECTION 22.6.(j) Redistribution of the Allocation.** – The General
15 Assembly may at this session or at any subsequent session increase or decrease the
16 allocations of the proceeds of the Clean Water Bonds set forth in this Part, so long as the
17 aggregate amount of the allocations does not exceed two hundred fifty million dollars
18 (\$250,000,000).

19 **SECTION 22.6.(k) Contracts With Private Entities.** – To the extent
20 otherwise authorized by law, and to the extent the use otherwise accomplishes the clean
21 water objectives of the State, this act does not prohibit a local government unit from
22 using the proceeds of Clean Water Bonds for projects that accomplish the clean water
23 objectives of this State through contracts or other arrangements with private entities.

24 **SECTION 22.6.(l) Allocation of proceeds.**

25 (a) The proceeds of Clean Water Bonds and notes, including premium
26 thereon, if any, except the proceeds of bonds the issuance of which has been anticipated
27 by bond anticipation notes or the proceeds of refunding bonds or notes, shall be placed
28 by the State Treasurer in a special fund to be designated "Clean Water Bonds Fund",
29 which may include such appropriate special accounts therein as may be determined by
30 the State Treasurer and shall be disbursed as provided in this act. Moneys in the Clean
31 Water Bonds Fund shall be allocated and expended as provided in this act.

32 (b) Any additional moneys which may be received by means of a grant or
33 grants from the United States of America or any agency or department thereof or from
34 any other source for deposit to the Clean Water Bonds Fund may be placed in the Clean
35 Water Bonds Fund or in a separate account or fund and shall be disbursed, to the extent
36 permitted by the terms of the grant or grants, without regard to any limitations imposed
37 by this act.

38 (c) Moneys in the Clean Water Bonds Fund or any separate clean water
39 fund or account established under this act may be invested from time to time by the
40 State Treasurer in the same manner permitted for investment of moneys belonging to
41 the State or held in the State treasury, except with respect to grant money to the extent
42 otherwise directed by the terms of the grant. Investment earnings, except investment
43 earnings with respect to grant moneys to the extent otherwise directed or restricted by
44 the terms of the grant, may be (i) credited to the Clean Water Bonds Fund or any
45 separate clean water fund or account established under this act, (ii) used to pay debt
46 service on the bonds authorized by this act, (iii) used to satisfy compliance with
47 applicable requirements of the federal tax law, or (iv) transferred to the General Fund of
48 the State.

49 (d) The proceeds of bonds and notes may be used with any other moneys
50 made available by the General Assembly for making grants and loans authorized by this
51 act, including the proceeds of any other State bond issues, whether heretofore made
52 available or which may be made available at the session of the General Assembly at
53 which this act is ratified or any subsequent sessions. The proceeds of bonds and notes
54 shall be expended and disbursed under the direction and supervision of the Director of
55 the Budget. The funds provided by this act shall be disbursed for the purposes provided

1 in this act upon warrants drawn on the State Treasurer by the State Controller, which
2 warrants shall not be drawn until requisition has been approved by the Director of the
3 Budget and which requisition shall be approved only after full compliance with the
4 State Budget Act.

5 **SECTION 22.6.(m)** Issuance of bonds and notes. –

6 (a) Terms and Conditions. Bonds or notes may bear such date or dates,
7 may be serial or term bonds or notes, or any combination thereof, may mature in such
8 amounts and at such time or times, not exceeding 40 years from their date or dates, may
9 be payable at such place or places, either within or without the United States of
10 America, in such coin or currency of the United States of America as at the time of
11 payment is legal tender for payment of public and private debts, may bear interest at
12 such rate or rates, which may vary from time to time, and may be made redeemable
13 before maturity, at the option of the State or otherwise as may be provided by the State,
14 at such price or prices, including a price less than the face amount of the bonds or notes,
15 and under such terms and conditions, all as may be determined by the State Treasurer,
16 by and with the consent of the Council of State.

17 (b) Signatures; Form and Denomination; Registration. Bonds or notes
18 may be issued as certificated or uncertificated obligations. If issued as certificated
19 obligations, bonds or notes shall be signed on behalf of the State by the Governor or
20 shall bear his or her facsimile signature, shall be signed by the State Treasurer or shall
21 bear his or her facsimile signature, and shall bear the Great Seal of the State or a
22 facsimile thereof shall be impressed or imprinted thereon. If bonds or notes bear the
23 facsimile signatures of the Governor and the State Treasurer, the bonds or notes shall
24 also bear a manual signature which may be that of a bond registrar, trustee, paying
25 agent, or designated assistant of the State Treasurer. Should any officer whose
26 signature or facsimile signature appears on bonds or notes cease to be such officer
27 before the delivery of the bonds or notes, the signature or facsimile signature shall
28 nevertheless have the same validity for all purposes as if the officer had remained in
29 office until delivery, and bonds or notes may bear the facsimile signatures of persons
30 who at the actual time of the execution of the bonds or notes shall be the proper officers
31 to sign any bond or note although at the date of the bond or note such persons may not
32 have been such officers. The form and denomination of bonds or notes, including the
33 provisions with respect to registration of the bonds or notes and any system for their
34 registration, shall be as the State Treasurer may determine in conformity with this act;
35 provided, however, that nothing in this act shall prohibit the State Treasurer from
36 proceeding, with respect to the issuance and form of the bonds or notes, under the
37 provisions of Chapter 159E of the General Statutes, the Registered Public Obligations
38 Act, as well as under this act.

39 (c) Manner of Sale; Expenses. Subject to determination by the Council of
40 State as to the manner in which bonds or notes shall be offered for sale, whether at
41 public or private sale, whether within or without the United States of America, and
42 whether by publishing notices in certain newspapers and financial journals, mailing
43 notices, inviting bids by correspondence, negotiating contracts of purchase or otherwise,
44 the State Treasurer is authorized to sell bonds or notes at one time or from time to time
45 at such rate or rates of interest, which may vary from time to time, and at such price or
46 prices, including a price less than the face amount of the bonds or the notes, as the State
47 Treasurer may determine. All expenses incurred in preparation, sale, and issuance of
48 bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes
49 or other available moneys.

50 (d) Notes; Repayment.

51 (1) By and with the consent of the Council of State, the State Treasurer is
52 hereby authorized to borrow money and to execute and issue notes of
53 the State for the same, but only in the following circumstances and
54 under the following conditions:

- 1 a. For anticipating the sale of bonds to the issuance of which the
2 Council of State shall have given consent, if the State Treasurer
3 shall deem it advisable to postpone the issuance of the bonds;
4 b. For the payment of interest on or any installment of principal of
5 any bonds then outstanding, if there shall not be sufficient funds
6 in the State treasury with which to pay the interest or
7 installment of principal as they respectively become due;
8 c. For the renewal of any loan evidenced by notes herein
9 authorized;
10 d. For the purposes authorized in this act; and
11 e. For refunding bonds or notes as herein authorized.
- 12 (2) Funds derived from the sale of bonds or notes may be used in the
13 payment of any bond anticipation notes issued under this act. Funds
14 provided by the General Assembly for the payment of interest on or
15 principal of bonds shall be used in paying the interest on or principal
16 of any notes and any renewals thereof, the proceeds of which shall
17 have been used in paying interest on or principal of the bonds.
- 18 (e) Refunding Bonds and Notes. By and with the consent of the Council
19 of State, the State Treasurer is authorized to issue and sell refunding bonds and notes
20 pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding
21 bonds or notes issued pursuant to this act. The refunding bonds and notes may be
22 combined with any other issues of State bonds and notes similarly secured.
- 23 (f) Tax Exemption. Bonds and notes shall be exempt from all State,
24 county, and municipal taxation or assessment, direct or indirect, general or special,
25 whether imposed for the purpose of general revenue or otherwise, excluding inheritance
26 and gift taxes, income taxes on the gain from the transfer of bonds and notes, and
27 franchise taxes. The interest on bonds and notes shall not be subject to taxation as to
28 income.
- 29 (g) Investment Eligibility. Bonds and notes are hereby made securities in
30 which all public officers, agencies, and public bodies of the State and its political
31 subdivisions, all insurance companies, trust companies, investment companies, banks,
32 savings banks, savings and loan associations, credit unions, pension or retirement funds,
33 other financial institutions engaged in business in the State, executors, administrators,
34 trustees, and other fiduciaries may properly and legally invest funds, including capital in
35 their control or belonging to them. Bonds and notes are hereby made securities which
36 may properly and legally be deposited with and received by any officer or agency of the
37 State or political subdivision of the State for any purpose for which the deposit of
38 bonds, notes, or obligations of the State or any political subdivision is now or may
39 hereafter be authorized by law.
- 40 (h) Faith and Credit. The faith and credit and taxing power of the State are
41 hereby pledged for the payment of the principal of and the interest on bonds and notes.
42 In addition to the State's right to amend any provision of this act to the extent it does not
43 impair any contractual right of a bond owner, the State expressly reserves the right to
44 amend any provision of this act with respect to the making and repayment of loans, the
45 disposition of any repayments of loans, and any intercept provisions relating to the
46 failure of a local government unit to repay a loan, the bonds not being secured in any
47 respect by loans, any repayments thereof, or any intercept provisions with respect
48 thereto.
- 49 **SECTION 22.6.(n) Other Agreements.** – The State Treasurer may
50 authorize, execute, obtain, or otherwise provide for bond insurance, investment
51 contracts, credit and liquidity facilities, interest rate swap agreements and other
52 derivative products, and any other related instruments and matters the State Treasurer
53 determines are desirable in connection with the issuance, incurrence, carrying, or
54 securing of bonds or notes. Subject to the provisions of Section 17 of this act, the State
55 Treasurer is authorized to employ and designate any financial consultants, underwriters,

1 and bond attorneys to be associated with any bond issue under this act as the State
2 Treasurer considers necessary.

3 **SECTION 22.6.(o) Variable interest rates.** – In fixing the details of bonds
4 and notes, the State Treasurer may provide that any of the bonds or notes may:

5 (a) Be made payable from time to time on demand or tender for purchase
6 by the owner thereof provided a credit facility supports the bonds or notes, unless the
7 State Treasurer specifically determines that a credit facility is not required upon a
8 finding and determination by the State Treasurer that the absence of a credit facility will
9 not materially or adversely affect the financial position of the State and the marketing of
10 the bonds or notes at a reasonable interest cost to the State;

11 (b) Be additionally supported by a credit facility;

12 (c) Be made subject to redemption or a mandatory tender for purchase
13 prior to maturity;

14 (d) Bear interest at a rate or rates that may vary for such period or periods
15 of time, all as may be provided in the proceedings providing for the issuance of the
16 bonds or notes, including, without limitation, such variations as may be permitted
17 pursuant to a par formula; and

18 (e) Be made the subject of a remarketing agreement whereby an attempt is
19 made to remarket bonds or notes to new purchasers prior to their presentment for
20 payment to the provider of the credit facility or to the State.

21 If the aggregate principal amount repayable by the State under a credit facility
22 is in excess of the aggregate principal amount of bonds or notes secured by the credit
23 facility, whether as a result of the inclusion in the credit facility of a provision for the
24 payment of interest for a limited period of time or the payment of a redemption
25 premium or for any other reason, then the amount of authorized but unissued bonds or
26 notes during the term of such credit facility shall not be less than the amount of such
27 excess, unless the payment of such excess is otherwise provided for by agreement of the
28 State executed by the State Treasurer.

29 **SECTION 22.6.(p) Special provisions governing clean water loans.**

30 (a) Scope. The provisions of this section shall apply to loans being made
31 from the proceeds of bonds authorized by this act for clean water projects, other than
32 from funds deposited in the Clean Water Revolving Loan and Grant Fund.

33 (b) Clean Water Bonds Loan Account. There is established in the
34 Department of State Treasurer a special account to be known as the Clean Water Bonds
35 Loan Account, which may include any special or segregated accounts the State
36 Treasurer considers appropriate. There shall be deposited in the Clean Water Bonds
37 Loan Account proceeds of the Clean Water Bonds and notes to be used to make loans,
38 other than loans to be made through the Clean Water Revolving Loan and Grant Fund,
39 to local government units for clean water projects as provided in this act.

40 (c) Except as otherwise permitted by this act with respect to the use of
41 investment earnings, all moneys accruing to the credit of the Clean Water Bonds Loan
42 Account other than funds set aside for administrative expenses, including expenses
43 related to determining compliance with applicable requirements of the federal tax law
44 and costs of issuance, shall be used to make loans for the purposes provided in this act.
45 The State Treasurer shall be responsible for making and administering all loans pursuant
46 to the provisions of this section.

47 (d) Application for Loans; Hearings.

48 (1) Eligibility/Initial Hearing:

49 a. Prior to filing an application for a loan, a local government unit
50 shall hold a public hearing. A notice of the public hearing shall
51 be published once at least 10 days before the date fixed for the
52 hearing.

53 b. All applications for loans shall be filed with the Department of
54 Environment and Natural Resources. The form of the
55 application shall be prescribed by the Department and shall

1 require any information necessary to determine the eligibility
2 for a loan under the provisions of this section. All applications
3 approved by the Department of Environment and Natural
4 Resources shall be filed with the Local Government
5 Commission. Each applicant shall furnish to the Department of
6 Environment and Natural Resources and the Local Government
7 Commission information in addition or supplemental to the
8 information contained in its application, upon request.

9 c. A local government unit shall not be eligible for a loan unless it
10 demonstrates to the satisfaction of the Department of
11 Environment and Natural Resources and the Local Government
12 Commission that:

- 13 1. The applicant is a local government unit;
- 14 2. The applicant has the financial capacity to pay the
15 principal of and interest on its proposed loan as
16 evidenced by the approval of the Local Government
17 Commission;
- 18 3. The applicant has substantially complied or will
19 substantially comply with all applicable laws, rules,
20 regulations, and ordinances, whether federal, State, or
21 local; and
- 22 4. The applicant has agreed by official resolution to adopt
23 and place into effect a schedule of fees and charges or
24 the application of other sources of revenue which will
25 provide adequate funds for proper operation,
26 maintenance, and administration of the project and
27 repayment of all principal and interest on the loan.

28 (2) Assessment. The Department of Environment and Natural Resources
29 may require any applicant to file with its application an assessment of
30 the impact the project for which the funds are sought will have upon
31 meeting the facility needs of the area within which the project is to be
32 located.

33 (3) Hearing by the Department of Environment and Natural Resources or
34 the Local Government Commission. A public hearing may be held by
35 the Department of Environment and Natural Resources or the Local
36 Government Commission at any time on any application. Public
37 hearings may also be held by the Department of Environment and
38 Natural Resources in its discretion upon written request from any
39 citizen or taxpayer who is a resident of the county or counties in which
40 the project is to be located or a resident of the local government unit
41 that proposes to borrow moneys under this act, if it appears that the
42 public interest will be served by the hearing. The written request shall
43 set forth each objection to the proposed project or other reason for
44 requesting a hearing on the application and shall contain the name and
45 address of the persons submitting it. In deciding whether to grant a
46 request for a hearing on an application, the Department of
47 Environment and Natural Resources may consider the application, the
48 written objections to the proposed project, and the facility needs and
49 shall determine if the public interest will be served by a hearing. The
50 determination by the Department of Environment and Natural
51 Resources shall be conclusive, and all written requests for a hearing
52 shall be retained as a permanent part of the records pertaining to the
53 application.

54 (4) Petition for Vote. A petition, demanding that the question of whether
55 to enter into a loan agreement with the State under this act be

1 submitted to voters, may be filed with the clerk of the local
2 government unit applying for the loan within 15 days after the public
3 hearing required by this section. The petition's sufficiency shall be
4 determined and a referendum, if any, shall be conducted according to
5 the standards, procedures, and limitations set out in G.S. 159-60
6 through G.S. 159-62.

7 (e) Priorities.

8 (1) Determination. Determination of priorities to be assigned each eligible
9 project shall be made semiannually by the Department of Environment
10 and Natural Resources during each fiscal year. Every eligible project
11 shall be considered by the Department of Environment and Natural
12 Resources with every other project eligible during this same priority
13 period.

14 (2) Priority Factors. All applications for loans under this act shall be
15 assigned a priority by the Department of Environment and Natural
16 Resources. The Department of Environment and Natural Resources
17 shall establish other priority factors criteria by rule.

18 (3) Assignment of Priority. A written statement relative to each priority
19 assigned shall be prepared by the Department of Environment and
20 Natural Resources and shall be attached to the application. The
21 priority assigned shall be conclusive.

22 (4) Failure to Qualify. If an application does not qualify for a loan as of
23 the prior period in which the application was eligible for consideration
24 by reason of the priority assigned, the application shall be considered
25 during the next succeeding priority period upon request of the
26 applicant. If the application again fails to qualify for a loan during the
27 second priority period by reason of the priority assigned, the
28 application shall receive no further consideration. An applicant may
29 file a new application at any time and may amend any pending
30 application to include additional data or information.

31 (5) Withdrawal of Commitment. Failure of an applicant within one year
32 after the date of acceptance of the loan to arrange for necessary
33 financing of the proposed project or award of the contract of the
34 construction of the proposed project shall constitute sufficient cause
35 for withdrawal of the commitment. Prior to withdrawal of a
36 commitment, the Department of Environment and Natural Resources
37 shall give due consideration to any extenuating circumstances
38 presented by the applicant as reasons for failure to arrange necessary
39 financing or to award a contract, and the commitment may be extended
40 for an additional period of time if, in the judgment of the Department
41 of Environment and Natural Resources, the extension is justified.

42 (f) Disbursement. To be eligible to receive the loans provided for in this
43 section, a local government unit must arrange to borrow the amounts necessary pursuant
44 to rules adopted by the Local Government Commission. No funds shall be disbursed
45 until the Department of Environment and Natural Resources gives a certificate of
46 eligibility to the effect that the applicant meets all eligibility criteria and that all
47 procedural requirements of this act have been met. The maximum principal amount of a
48 loan shall be one hundred percent (100%) of the cost of any eligible project.

49 (g) Intercept. The governing body of a local government unit shall by
50 resolution authorize to be included in its loan agreement a provision authorizing the
51 State Treasurer, upon failure of the local government unit to make a scheduled
52 repayment of the loan, to withhold from the local government unit any State funds that
53 would otherwise be distributed to the local government unit in an amount sufficient to
54 pay all sums then due and payable to the State as a repayment of the loan. In such
55 event, notwithstanding any other provision of law, the State Treasurer is authorized to

1 withhold and apply such funds to the repayment of the loan, except that such funds shall
2 not be withheld if (i) before the execution of the loan agreement, such funds have been
3 legally pledged to secure special obligation bonds or other obligations of the local
4 government unit, or (ii) after the execution of the loan agreement, such funds are legally
5 pledged to secure special obligation bonds or other obligations of the local government
6 unit as authorized in this subsection. After the execution of a loan agreement, all or any
7 portion of the State funds specified in the loan agreement to be so withheld may be
8 pledged to secure special obligation bonds or other obligations of the local government
9 unit only with the prior written consent of the State Treasurer.

10 The State Treasurer shall notify the Secretary of Revenue and the State
11 Controller of the amount to be withheld from the local government unit, and the
12 Secretary of Revenue and the State Controller shall transfer to the State Treasurer the
13 amount so requested to be applied by the State Treasurer to the repayment of the loan.

14 (h) Inspection. Inspection of a project for which a loan has been made
15 under this act may be performed by qualified personnel of the Department of
16 Environment and Natural Resources or may be performed by qualified engineers
17 registered in this State approved by the Department of Environment and Natural
18 Resources. No person shall be approved to perform inspections who is an officer
19 employed by the local government unit to which the loan was made or who is an owner,
20 officer, employer, or agent of a contractor or subcontractor engaged in the construction
21 of the project for which the loan was made. For the purpose of payment of inspection
22 fees, inspection services shall be included in the term "cost" as used in this act.

23 (i) Rules. The State Treasurer, the Local Government Commission, and
24 the Department of Environment and Natural Resources may adopt, modify, and repeal
25 rules necessary for the administration of their respective duties under this act. Uniform
26 rules may be jointly adopted where feasible and desirable, and no rule, jointly adopted,
27 may be modified or revoked except upon concurrence of all agencies involved.

28 (j) Federal Grants and Loans. In order to carry out the purposes of this act
29 to secure the greatest possible benefits to the citizens of this State of the funds
30 appropriated, the State Treasurer, the Local Government Commission, and the
31 Department of Environment and Natural Resources shall adopt rules and criteria, not
32 inconsistent with provisions of this act, as are necessary and appropriate to conform to
33 regulations for federal grants and loans for any of the purposes set forth in this act.

34 (k) Report by Department of Environment and Natural Resources. The
35 Department of Environment and Natural Resources shall prepare and file each year on
36 or before July 31 with the Joint Legislative Commission on Governmental Operations
37 and the Fiscal Research Division a report for the preceding fiscal year concerning the
38 allocation and making of loans authorized by this act. The report shall set forth for the
39 preceding fiscal year:

- 40 (1) Itemized and total allocations of loans authorized and unallocated
41 funds for the loan program as of the end of the preceding fiscal year;
- 42 (2) Identification of each loan agreement entered into by the State during
43 the preceding fiscal year and the total amount of loans authorized by
44 such loan agreements;
- 45 (3) The amount disbursed to each local government unit pursuant to such
46 loan agreements during the preceding fiscal year and the total amount
47 of such disbursements;
- 48 (4) The loan repayments made by each local government unit pursuant to
49 such loan agreements and the total amount of such loan repayments
50 during the preceding fiscal year; and
- 51 (5) A summary for the five preceding years of the information required by
52 subdivisions (1) through (4) of this subsection.

53 The report shall be signed by the Secretary of Environment and
54 Natural Resources.

- 55 (l) Local Government Commission.

- 1 (1) Local government units may execute debt instruments payable to the
2 State in order to obtain loans provided for in this act. Local
3 government units shall pledge or agree to apply as security for such
4 obligations:
5 a. Any available source of revenues of the local government unit,
6 including revenues from benefited facilities or systems,
7 provided that (i) the local government unit has not otherwise
8 pledged the revenues as security for, or contractually agreed to
9 apply the revenues to, the payment of any other obligations of
10 the local government unit, (ii) the use of the revenues is not
11 otherwise restricted by law, or (iii) the revenues are not derived
12 from the exercise of the local government unit's taxing power;
13 or
14 b. Their faith and credit; or
15 c. Any combination of a. or b. above.
16 The faith and credit of a local government unit shall not be pledged or
17 be deemed to have been pledged unless the requirements of Article 4
18 of Chapter 159 of the General Statutes have been met. The State
19 Treasurer, with the assistance of the Local Government Commission,
20 shall develop and adopt appropriate debt instruments for use under this
21 act.
- 22 (2) Nothing contained in this act shall prohibit any local government unit
23 from applying any funds of the local government unit not otherwise
24 restricted as to use by law to the payment of any debt instrument
25 payable to the State incurred pursuant to the provisions of this act.
- 26 (3) The Local Government Commission shall review and approve
27 proposed loans to local government units under this act under the
28 provisions of Articles 4 and 5 of Chapter 159 of the General Statutes.
29 The Local Government Commission in considering the ability of a
30 local government unit to repay a loan may regard as a source of
31 revenue for repayment of a loan revenue sources that may not be
32 available other than on an annual discretionary basis and that may not
33 be subject to a pledge or agreement to apply. Loans under this act
34 shall be outstanding debts for the purposes of Article 10 of Chapter
35 159 of the General Statutes.

36 CLEAN WATER GRANT

37 **SECTION 22.7.** The Department of Environment and Natural Resources
38 shall prepare and file each year on or before July 31 with the Joint Legislative
39 Commission on Governmental Operations and the Fiscal Research Division a report for
40 the preceding fiscal year concerning the allocation and making of grants authorized by
41 this act. The report shall be signed by the Secretary of the Department of Natural
42 Resources. The report shall set forth for the preceding fiscal year:

43 (a) Itemized and total allocations of grants authorized and unallocated
44 funds for the grant program as of the end of the preceding fiscal year;

45 (b) Identification of each grant agreement entered into by the Department
46 of Natural Resources during the preceding fiscal year and the total amount of grants
47 authorized by the grant agreements;

48 (c) The amount disbursed to each local government unit pursuant to the
49 grant agreements during the preceding fiscal year and the total amount of the
50 disbursements; and

51 (d) A summary for the five preceding years of the information required by
52 subsections (a) through (c) of this section.

53 MINORITY BUSINESS PARTICIPATION

1 **SECTION 22.8.** The goals set by G.S. 143-128 for participation in projects
2 by minority businesses apply to projects funded by the proceeds of bonds or notes
3 issued under this act. The Department of Environment and Natural Resources shall
4 monitor compliance with this requirement and shall report to the General Assembly by
5 January 1 of each year on the participation by minority businesses in these projects.

6 The State Treasurer shall provide contracting opportunities for historically
7 underutilized businesses in providing professional services in connection with the
8 issuance of bonds and notes authorized by this act. As used in this section, the term
9 "historically underutilized business" means a business described in G.S. 143-48. The
10 State Treasurer shall strive to increase the amount of legal, financial, and other
11 professional services acquired by it from historically underutilized businesses. With the
12 assistance of the Office for Historically Underutilized Businesses in the Department of
13 Administration, the State Treasurer shall set objectives for contracting with these
14 businesses, identify, and eliminate barriers or constraints that may restrict these
15 businesses from contracting with the State Treasurer, and develop a plan for meeting
16 these objectives. The State Treasurer shall report quarterly to the Office for Historically
17 Underutilized Businesses on its progress in carrying out the requirements of this section.

18 19 **INTERPRETATION OF PART**

20 **SECTION 22.9.(a)** Additional Method. The foregoing sections of this Part
21 shall be deemed to provide an additional and alternative method for the doing of the
22 things authorized thereby and shall be regarded as supplemental and additional to
23 powers conferred by other laws, and shall not be regarded as in derogation of any
24 powers now existing.

25 (b) Statutory References. References in this Part to specific sections or
26 Chapters of the General Statutes or to specific acts are intended to be references to these
27 sections, Chapters, or acts as they may be amended from time to time by the General
28 Assembly.

29 (c) Broad Construction. This Part, being necessary for the health and
30 welfare of the people of the State, shall be broadly construed to effect the purposes
31 thereof.

32 (d) Inconsistent Provisions. Insofar as the provisions of this Part are
33 inconsistent with the provisions of any general laws, or parts thereof, the provisions of
34 this act shall be controlling.

35 36 **PART XXIII. MISCELLANEOUS PROVISIONS**

37 38 **STATE BUDGET ACT APPLIES**

39 **SECTION 23.1.** The provisions of the State Budget Act, Chapter 143C of
40 the General Statutes, are reenacted and shall remain in full force and effect and are
41 incorporated in this act by reference.

42 43 **MOST TEXT APPLIES ONLY TO THE 2007-2009 FISCAL BIENNIUM**

44 **SECTION 23.2.** Except for statutory changes or other provisions that clearly
45 indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual
46 provisions of this act apply only to funds appropriated for, and activities occurring
47 during, the 2007-2009 fiscal biennium.

48 49 **EFFECT OF HEADINGS**

50 **SECTION 23.3.** The headings to the parts and sections of this act are a
51 convenience to the reader and are for reference only. The headings do not expand,
52 limit, or define the text of this act, except for effective dates referring to a Part.

53 54 **SEVERABILITY CLAUSE**

1 **SECTION 23.4.** If any section or provision of this act is declared
2 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
3 whole or any part other than the part so declared to be unconstitutional or invalid.
4

5 **EFFECTIVE DATE**

6 **SECTION 23.5.** Except as otherwise provided, this act becomes effective
7 July 1, 2007.