

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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SENATE BILL 1005
Appropriations/Base Budget Committee Substitute Adopted 5/28/01
Appropriations/Base Budget Committee Substitute No. 2 Adopted 5/29/01
Third Edition Engrossed 5/31/01

Short Title: The Appropriations Act of 2001.

(Public)

Sponsors:

Referred to:

April 5, 2001

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

5 The General Assembly of North Carolina enacts:

6
7 Requested by: Senators Plyler, Odom, Lee

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

9 **INTRODUCTION**

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

16
17 Requested by: Senators Plyler, Odom, Lee

18 **TITLE OF ACT**

19 **SECTION 1.2.** This act shall be known as the "Current Operations and
20 Capital Improvements Appropriations Act of 2001."

21
22 Requested by: Senators Plyler, Odom, Lee

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

24 **SECTION 2.1.** Appropriations from the General Fund of the State for the
25 maintenance of the State departments, institutions, and agencies, and for other purposes
26 as enumerated are made for the biennium ending June 30, 2003, according to the
27 following schedule:

28 Current Operations - General Fund	29 2001-2002	30 2002-2003
31 EDUCATION		
32 Community Colleges System Office	\$643,560,167	\$643,010,167
33 Department of Public Instruction	5,893,107,574	5,930,005,558
34 University of North Carolina - Board of Governors		
35 Appalachian State University	85,675,242	85,938,242
36		

1	East Carolina University		
2	Academic Affairs	121,351,949	122,615,017
3	Health Affairs	46,304,621	46,304,621
4	Elizabeth City State University	21,763,052	21,763,052
5	Fayetteville State University	30,955,888	30,955,888
6	North Carolina Agricultural and		
7	Technical University	59,833,778	59,833,778
8	North Carolina Central University	44,621,691	44,621,691
9	North Carolina School of the Arts	16,497,831	16,771,450
10	North Carolina State University		
11	Academic Affairs	267,290,298	267,775,250
12	Agricultural Extension Service	38,457,017	38,457,017
13	Agricultural Research Service	47,037,045	47,010,929
14	University of North Carolina at Asheville	25,615,037	25,771,136
15	University of North Carolina at Chapel Hill		
16	Academic Affairs	201,509,167	202,018,681
17	Health Affairs	155,830,419	157,310,635
18	Area Health Education Centers	46,094,558	46,094,558
19	University of North Carolina at Charlotte	96,161,797	96,633,023
20	University of North Carolina at Greensboro	93,738,103	93,815,427
21	University of North Carolina at Pembroke	24,719,084	24,660,397
22	University of North Carolina at Wilmington	59,898,259	60,249,641
23	Western Carolina University	52,162,159	52,430,418
24	Winston-Salem State University	28,245,873	28,669,462
25	General Administration	42,937,551	43,932,975
26	University Institutional Programs	38,600,964	38,350,964
27	Related Educational Programs	103,637,912	103,637,912
28	North Carolina School of Science		
29	and Mathematics	11,487,156	11,839,342
30	UNC Health Care	40,587,322	40,587,322
31	Total	\$1,801,013,774	\$1,808,048,829

HEALTH AND HUMAN SERVICES

32			
33	HEALTH AND HUMAN SERVICES		
34			
35	Department of Health and Human Services		
36	Office of the Secretary	41,441,585	44,074,849
37	Division of Aging	29,756,535	29,506,535
38	Division of Child Development	289,569,273	289,569,273
39	Division of Education Services	69,666,533	69,666,533
40	Division of Public Health	106,338,824	107,063,824
41	Division of Social Services	191,587,740	198,661,034
42	Division of Medical Assistance	1,984,704,074	2,243,993,097
43	Division of Medical Assistance - Health Choice	32,987,142	37,487,142
44	Division of Blind Services/Deaf	10,154,205	10,154,205
45	Division of Mental Health	583,450,916	559,014,250
46	Division of Facility Services	13,874,279	14,069,546
47	Division of Vocational Rehabilitation	42,768,956	42,148,689
48	Total	\$3,396,300,062	\$3,645,408,977

NATURAL AND ECONOMIC RESOURCES

49			
50	NATURAL AND ECONOMIC RESOURCES		
51			
52	Department of Agriculture and Consumer Services	55,545,270	55,194,468
53			

1	Department of Commerce		
2	Commerce	45,509,011	44,428,369
3	Commerce State-Aid	7,500,000	5,200,000
4	NC Biotechnology Center	5,270,468	6,270,468
5	Rural Economic Development Center	4,470,777	5,470,471
6			
7	Department of Environment and Natural Resources		
8	Environment and Natural Resources	159,293,994	158,821,667
9	Clean Water Management Trust Fund	40,000,000	70,000,000
10			
11	Office of the Governor - Housing Finance Agency	5,300,000	5,300,000
12			
13	Department of Labor	16,023,147	15,992,906
14			
15	JUSTICE AND PUBLIC SAFETY		
16			
17	Department of Correction	927,428,368	939,786,036
18			
19	Department of Crime Control and Public Safety	35,300,144	0
20			
21	Judicial Department	305,092,577	305,015,376
22	Judicial Department - Indigent Defense	70,007,423	70,007,423
23			
24	Department of Justice	73,777,373	82,432,277
25			
26	Department of Juvenile Justice		
27	and Delinquency Prevention	140,631,495	142,079,708
28			
29	GENERAL GOVERNMENT		
30			
31	Department of Administration	59,877,776	75,263,823
32			
33	Office of Administrative Hearings	2,835,447	2,835,447
34			
35	Department of State Auditor	11,864,673	11,864,673
36			
37	Office of State Controller	11,523,868	11,523,868
38			
39	Department of Cultural Resources		
40	Cultural Resources	59,477,419	59,477,419
41	Roanoke Island Commission	1,859,463	1,859,463
42			
43	State Board of Elections	3,186,269	3,186,269
44			
45	General Assembly	39,553,848	39,553,848
46			
47	Office of the Governor		
48	Office of the Governor	5,442,905	5,442,905
49	Office of State Budget and Management	5,130,255	4,839,125
50	Mapping and Surveying	0	0
51	Reserve for Special Appropriations	3,480,000	3,080,000
52			
53	Department of Insurance		

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1	Insurance	23,129,288	23,129,288
2	Insurance -- Volunteer Safety Workers' Compensation	1,500,000	4,500,000
3			
4	Office of Lieutenant Governor	669,545	669,545
5			
6	Department of Revenue	75,228,760	75,219,160
7			
8	Rules Review Commission	325,795	325,795
9			
10	Department of Secretary of State	8,643,292	8,643,292
11			
12	Department of State Treasurer		
13	State Treasurer	7,641,817	7,641,817
14	State Treasurer -- Retirement for Fire and Rescue		
15	Squad Workers	10,301,897	12,379,780
16			
17	TRANSPORTATION		
18			
19	Department of Transportation	11,690,709	13,393,341
20			
21	RESERVES, DEBT SERVICE, AND ADJUSTMENTS		
22			
23	Contingency and Emergency	5,000,000	5,000,000
24			
25	Reserve for Compensation Increases	186,942,000	186,942,000
26			
27	Reserve for Salary Adjustments	500,000	500,000
28			
29	Reserve for State Health Plan	150,000,000	200,000,000
30			
31	Teachers' and State Employees'		
32	Retirement Rate Adjustment	(251,761,770)	(251,761,770)
33			
34	Consolidated Judicial Retirement Rate		
35	Adjustment	(2,345,000)	(2,345,000)
36			
37	Hurricane Floyd Reserve Fund	304,853,740	135,629,172
38			
39	Reserve to Implement HIPAA	30,000,000	
40			
41	Information Technology Rate Adjustment	(11,000,000)	(11,000,000)
42			
43	Payroll Turnover Adjustment	(37,300,000)	(37,300,000)
44			
45	Debt Service		
46			
47	General Debt Service	275,120,390	352,266,860
48			
49	Federal Reimbursement	1,155,948	1,155,948
50			
51	GRAND TOTAL CURRENT OPERATIONS --		
52	GENERAL FUND	\$14,619,659,958	\$14,876,388,768
53			

1 Requested by: Senators Plyler, Odom, Lee

2 **GENERAL FUND AVAILABILITY STATEMENT**

3 **SECTION 2.2.(a)** The General Fund availability used in developing the
4 2001-2003 biennial budget is shown below:

	2001-2002	2002-2003
	(\$ Millions)	(\$ Millions)
General Fund Budget Reform Statement		
1. Composition of the 2001-2002 beginning availability:		
a. Unappropriated balance	0.0	--
b. Revenue collections in fiscal year 2000-2001 in excess of authorized estimates	0.0	--
c. Unexpended appropriations during fiscal year 2000-2001 (Reversions)	0.0	--
Beginning Unreserved Credit Balance	0.0	--
2. Revenues Based on Existing Tax Structure	13,473.8	14,451.2
3. Non-Tax Revenues:		
Investment Income	152.0	167.0
Judicial Fees	109.5	111.7
Disproportionate Share	107.0	107.0
Insurance	43.9	45.8
Other Non-Tax Revenues	110.0	111.2
Highway Trust Fund Transfer	170.0	170.0
Highway Fund Transfer	14.0	15.3
Subtotal	<u>14,180.7</u>	<u>15,179.2</u>
4. Other Adjustments		
North Carolina Railroad General Fund Repayment	19.0	--
Senate Bill 353 Enhance Department of Revenue Collections	18.0	18.0
Butner Assessment Increase	0.3	0.5
Internal Revenue Code Conformity Adjustment	(3.4)	(3.8)
Closure of Tax Loopholes	190.8	232.9
Tax Withholding Acceleration	66.1	2.0
Transfer of Cash from Special, Trust, Internal Service, and Reserve Funds	447.0	--
Court Fees Adjustment for the State Bar	(1.7)	(1.7)
Transfer to the Savings Reserve Account	(164.2)	--
Subtotal	<u>571.9</u>	<u>247.9</u>
TOTAL GENERAL FUND AVAILABILITY	<u>\$14,752.6</u>	<u>\$15,427.1</u>

40 **SECTION 2.2.(b)** Notwithstanding the provisions of Section 7.2.(a) of S.L. 2000-67, nineteen million dollars (\$19,000,000) of the North Carolina Railroad Company dividends received by the State during the 2000-2001 fiscal year and the 2001-2002 fiscal year shall: (i) be applied to increase the capital of the North Carolina Railroad Company, (ii) reduce the obligations described in subsection (c) of Section 32.30 of S.L. 1997-443, as amended by subsection (d) of Section 27.11 of S.L. 1999-237, and (iii) be deposited in the General Fund.

47 **SECTION 2.2.(c)** The balance of Budget Code 19930, the Hurricane Floyd Reserve Fund established pursuant to S.L.1999-463 (Extra Session), shall be transferred to the General Fund on July 1, 2001. Funds are appropriated in this act for the 2001-2003 fiscal biennium to the Office of State Budget and Management, Hurricane Floyd Reserve Fund, in an amount equal to the amount transferred under this section. These funds shall be expended only for Hurricane Floyd recovery according to the purposes, procedures, and requirements provided in S.L. 1999-463 (Extra Session).

SECTION 2.2.(d) Effective July 1, 2001, cash balances remaining in special funds on June 30, 2001, shall be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) according to the schedule that follows. These funds shall be used to support General Fund appropriations for the 2001-2002 fiscal year.

Fund	Amount Transferred
Department of Agriculture and Consumer Services	
Budget Code 23701, Fund Code 2201 (Warehouse Investment Fund)	\$500,000
Department of Environment and Natural Resources	
Budget Code 24300, Fund Code 2106 (DEH - Sleep Products)	46,437
Budget Code 24300, Fund Code 2331 (DAQ - Air Permits)	77,889
Budget Code 24300, Fund Code 2735 (DLR - Sedimentation Fees)	148,562
Budget Code 24300, Fund Code 2620 (DLR - Land Env Controls)	111,261
Budget Code 24300, Fund Code 2740 (DLR - Dam Safety Account)	18,522
Budget Code 64305, Fund Code 6372 (DWM - Inactive Hazardous Sites Cleanup)	499,263
Budget Code 64305, Fund Code 6373 (DWM - Emergency Response Fund)	49,771
Budget Code 24300, Fund Code 2341 (DWQ - Water Permits)	371,682
Budget Code 64306, Fund Code 6341 (DWQ - WW Treatment Maintenance & Repair)	43,256
Budget Code 23400, Fund Code 2335 (DWQ - Lab Certification Fees)	16,371
Budget Code 23400, Fund Code 2130 (DWQ - Well Construction Fund)	18,134
Budget Code 23400, Fund Code 2310 (DWQ - Oil Pollution Control)	8,170
Department of Commerce	
Budget Code 24610, Fund Code 2431 (International Trade Show Fund)	75,000
Department of Correction	
Budget Code 24502 (Inmate Canteen/Welfare Fund)	380,000

SECTION 2.2.(e) Effective October 1, 2001, the sum of one million two hundred thousand dollars (\$1,200,000) shall be transferred from the Department of Administration, Budget Code 74100, Fund Code 7211 (Motor Fleet Management) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

Effective April 1, 2002, the sum of two million dollars (\$2,000,000) shall be transferred from the Department of Administration, Budget Code 74100, Fund Code 7211 (Motor Fleet Management) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2001-2002 fiscal year.

SECTION 2.2.(f) The transfer of cash from Department of Correction, Budget Code 74500, Fund Code 7100 (Prison Enterprises) to Nontax Budget Code 19978 (Intra State Transfers) shall be increased by one million dollars (\$1,000,000), effective July 1, 2001, for the 2001-2002 fiscal year.

The transfer of cash from Department of Correction, Budget Code 74500, Fund Code 7100 (Prison Enterprises) to Nontax Budget Code 19978 (Intra State

1 Transfers) shall be increased by five hundred thousand dollars (\$500,000), effective
2 July 1, 2002, for the 2002-2003 fiscal year and for subsequent fiscal years.

3 **SECTION 2.2.(g)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, for the
4 2000-2001 fiscal year only, funds shall not be reserved to the Savings Reserve Account,
5 and the State Controller shall not transfer funds from the unreserved credit balance to
6 the Savings Reserve Account on June 30, 2001. The State Controller shall transfer the
7 sum of one hundred sixty-four million two hundred thousand dollars (\$164,200,000)
8 from the General Fund to the Savings Reserve Account on July 1, 2001. This is not an
9 "appropriation made by law", as that phrase is used in Article V, Section 7(2) of the
10 North Carolina Constitution.

11 Of the funds in the Savings Reserve Account on July 1, 2001, the sum of one
12 million nine hundred one thousand five hundred one dollars (\$1,901,501) for each fiscal
13 year shall be used to support the Martin County Child Support Call Center, and the sum
14 of six hundred thousand dollars (\$600,000) for each fiscal year shall be used to support
15 the State Maternity Home Fund.

16 This subsection becomes effective June 30, 2001.

17 **PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND**

18 Requested by: Senators Plyler, Odom, Lee

19 **SECTION 3.1.** Appropriations from the Highway Fund of the State for the
20 maintenance and operation of the Department of Transportation, and for other purposes
21 as enumerated, are made for the biennium ending June 30, 2003, according to the
22 following schedule:
23
24
25

26 Current Operations - Highway Fund	2001-2002	2002-2003
27 (1) Transportation admin. (84210)	\$69,195,895	\$69,195,895
28 (2) Transportation operations (84220)	28,801,650	28,801,650
29 (3) Transportation programs (84230)		
30 State construction		
31 Primary	-	-
32 Secondary	87,462,000	89,387,000
33 Urban	14,000,000	14,000,000
34 Public access	2,000,000	2,000,000
35 Spot safety	9,100,000	9,100,000
36 Contingency	15,000,000	10,000,000
37 Federal aid match	5,212,266	5,212,266
38 Maintenance	580,878,337	573,855,366
39 Asphalt plant/OSHA	425,000	425,000
40 Capital	1,634,000	
41 Ferry operations	19,747,132	19,747,132
42 Aid to municipalities	87,462,000	89,387,000
43 Rail	31,575,000	10,575,000
44 Public transit	64,460,834	64,460,834
45 Airports	5,000,000	
46 (4) Governor's highway safety (84240)	-	-
47 (5) Transportation regulation (84260)	98,938,931	98,346,612
48 (6) Reserves and transfers (84270)	198,246,955	202,820,508
49		
50		
51 GRAND TOTAL CURRENT OPERATIONS		
52 AND EXPANSION	\$1,319,140,000	\$1,287,314,263
53		

Requested by: Senators Plyler, Odom, Lee

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2001-2003 biennial budget is shown below:

Highway Fund Budget Reform Statement	2001-2002	2002-2003
Beginning Credit Balance	\$ 14,860,000	-
Estimated Revenue	1,303,280,000	\$1,311,720,000
Transfer of Cash from Reserve Funds	1,000,000	-
Total Highway Fund Availability	\$1,319,140,000	\$1,311,720,000

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

Requested by: Senators Plyler, Odom, Lee

SECTION 4.1. Appropriations from the Highway Fund of the State for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2003, according to the following schedule:

Current Operations - Highway Trust Fund	2001-2002	2002-2003
Intrastate System	\$464,295,516	\$489,403,290
Urban Loops	187,741,771	197,894,308
Aid to Municipalities	48,715,429	51,349,821
Total for Secondary Roads	83,827,858	87,445,392
Program Administration	34,142,426	36,181,189
Transfer to General Fund	170,000,000	170,000,000
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$988,723,000	\$1,032,274,000

PART V. BLOCK GRANTS

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2002, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT

01. Community Action Agencies	\$ 14,160,375
02. Limited Purpose Agencies	979,017
03. Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	500,000
TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 15,639,392

SOCIAL SERVICES BLOCK GRANT		
1		
2		
3	01.	County departments of social services \$ 27,395,663
4		(Transfer from TANF - \$4,500,000)
5		
6	02.	Allocation for in-home services provided
7		by county departments of
8		social services 2,101,113
9		
10	03.	Division of Mental Health, Developmental
11		Disabilities, and Substance Abuse Services 3,234,601
12		
13	04.	Division of Services for the Blind 3,105,711
14		
15	05.	Division of Facility Services 426,836
16		
17	06.	Division of Aging - Home and Community
18		Care Block Grant 1,840,234
19		
20	07.	Child Care Subsidies 3,000,000
21		
22	08.	Division of Vocational Rehabilitation -
23		United Cerebral Palsy 71,484
24		
25	09.	State administration 1,693,368
26		
27	10.	Child Medical Evaluation Program 238,321
28		
29	11.	Adult day care services 2,245,912
30		
31	12.	Comprehensive Treatment Services
32		Program 1,145,789
33		
34	13.	Transfer to Preventive Health Services
35		Block Grant for emergency medical services 213,128
36		
37	14.	Transfer to Preventive Health Services Block
38		Grant for AIDS education, counseling, and
39		testing 66,939
40		
41	15.	Department of Administration
42		for the N.C. State Commission of Indian Affairs
43		In-Home Services Program for the Elderly 203,198
44		
45	16.	Division of Vocational Rehabilitation -
46		Easter Seals Society 116,779
47		
48	17.	UNC-CH CARES Program for training and
49		consultation services 247,920
50		
51	18.	Office of the Secretary - Office of Economic
52		Opportunity for N.C. Senior Citizens'
53		Federation for outreach services to

1	low-income elderly persons	41,302
2		
3	19. Transfer from TANF Block Grant for	
4	Division of Social Services - Child	
5	Caring Agencies	1,500,000
6		
7	20. Division of Mental Health,	
8	Developmental Disabilities, and	
9	Substance Abuse Services - Developmentally	
10	Disabled Waiting List for services	5,000,000
11		
12	TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 53,888,298
13		
14	LOW-INCOME ENERGY BLOCK GRANT	
15		
16	01. Energy Assistance Programs	\$ 8,306,967
17		
18	02. Crisis Intervention	7,078,114
19		
20	03. Administration	1,984,934
21		
22	04. Department of Commerce -	
23	Weatherization Program	2,684,116
24		
25	05. Department of Administration -	
26	N.C. State Commission of Indian Affairs	39,765
27		
28	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 20,093,896
29		
30	MENTAL HEALTH SERVICES BLOCK GRANT	
31		
32	01. Provision of community-based	
33	services in accordance with the	
34	Mental Health Study Commission's	
35	Adult Severe and Persistently	
36	Mentally Ill Plan	\$ 5,192,826
37		
38	02. Provision of community-based	
39	services to children	2,378,540
40		
41	03. Establish Child Residential	
42	Treatment Services Program	1,500,000
43		
44	04. Administration	783,911
45		
46	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 9,855,277
47		
48	SUBSTANCE ABUSE PREVENTION	
49	AND TREATMENT BLOCK GRANT	
50		
51	01. Provision of community-based	
52	alcohol and drug abuse services,	
53	tuberculosis services, and services	

1	provided by the Alcohol and Drug Abuse	
2	Treatment Centers	\$ 14,501,711
3		
4	02. Continuation of services for	
5	pregnant women and women	
6	with dependent children	6,007,303
7		
8	03. Continuation of services to	
9	IV drug abusers and others at risk	
10	for HIV diseases	5,209,934
11		
12	04. Provision of services to children	
13	and adolescents	6,839,190
14		
15	05. Juvenile Services - Family Focus	774,414
16		
17	06. Establish Child Residential Treatment	
18	Services Program	500,000
19		
20	07. Administration	2,623,049
21		
22	TOTAL SUBSTANCE ABUSE PREVENTION	
23	AND TREATMENT BLOCK GRANT	\$ 36,455,601
24		
25	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
26		
27	01. Child care subsidies	\$148,343,839
28		
29	02. Quality and availability initiatives	17,259,661
30		
31	03. Administrative expenses	6,550,000
32		
33	04. Transfer from TANF Block Grant for	
34	child care subsidies	76,675,000
35		
36	TOTAL CHILD CARE AND DEVELOPMENT FUND	
37	BLOCK GRANT	\$248,828,500
38		
39	TEMPORARY ASSISTANCE TO NEEDY FAMILIES	
40	(TANF) BLOCK GRANT	
41		
42	01. Work First Cash Assistance	\$114,181,958
43		
44	02. Work First County Block Grants	92,018,855
45		
46	03. Transfer to the Child Care and	
47	Development Fund Block Grant	
48	for child care subsidies	76,675,000
49		
50	04. Allocation to the Division of Mental	
51	Health, Developmental Disabilities, and	
52	Substance Abuse Services for Work First	
53	substance abuse screening, diagnostic, and	

1	support treatment services and drug testing	3,500,000
2		
3	05. Cash Assistance Reserve	9,702,978
4		
5	06. Allocation to the Division of Social	
6	Services for staff development	500,000
7		
8	07. Reduction of out-of-wedlock births	1,600,000
9		
10	08. Substance Abuse Services for Juveniles	1,182,280
11		
12	09. Special Children Adoption Fund	2,811,687
13		
14	10. Business Process Reengineering	
15	Project Reserve	3,500,000
16		
17	11. Work First Job Retention and Follow-Up	
18	Initiatives	300,000
19		
20	12. Allocation to the Division of Public Health	
21	for teen pregnancy prevention	2,239,261
22		
23	13. Transfer to Social Services Block Grant	
24	for Child Caring Agencies	1,500,000
25		
26	14. Child Care Subsidies for TANF Recipients	26,621,241
27		
28	15. Work First Housing Initiative	3,000,000
29		
30	16. Allocation to the Division of Social	
31	Services for Domestic Violence	
32	Prevention and Awareness	1,000,000
33		
34	17. County Child Protective Services,	
35	Foster Care, and Adoption Workers	2,727,550
36		
37	18. Intensive Family Preservation Program	2,000,000
38		
39	19. Work First/Boys and Girls Clubs	1,000,000
40		
41	20. Transfer to Social Services Block Grant for	
42	County Departments of Social Services for	
43	Children's Services	4,500,000
44		
45	21. Support Our Students – Department of	
46	Juvenile Justice and Delinquency	
47	Prevention	2,750,674
48		
49	22. Residential Substance Abuse Services	
50	for Women With Children	5,000,000
51		
52	23. Domestic Violence Services	
53	for Work First Families	2,000,000

1			
2	24.	After-School Services for	
3		At-Risk Children	3,000,000
4			
5	25.	Division of Social Services -	
6		Administration	500,000
7			
8	26.	Child Welfare workers for local	
9		departments of social services	7,299,494
10			
11	27.	Child Welfare Training	2,000,000
12			
13	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES		
14	(TANF) BLOCK GRANT		\$373,110,978
15			
16	MATERNAL AND CHILD HEALTH BLOCK GRANT		
17			
18	01.	Healthy Mothers/Healthy Children	
19		Block Grants to Local Health	
20		Departments	9,838,074
21			
22	02.	High-Risk Maternity Clinic Services,	
23		Perinatal Education and Training,	
24		Childhood Injury Prevention,	
25		Public Information and Education, and	
26		Technical Assistance to Local Health	
27		Departments	2,012,102
28			
29	03.	Services to Children With Special Health	
30		Care Needs	5,078,647
31			
32	TOTAL MATERNAL AND CHILD		
33	HEALTH BLOCK GRANT		\$ 16,928,823
34			
35	PREVENTIVE HEALTH SERVICES BLOCK GRANT		
36			
37	01.	Statewide Health Promotion Programs	\$3,061,182
38			
39	02.	Dental Services/Fluoridation	100,800
40			
41	03.	Rape Crisis/Victims' Services	
42		Program - Council for Women	190,134
43			
44	04.	Rape Prevention and Education	
45		Program - Division of Public	
46		Health and Council for Women	1,139,869
47			
48	05.	Transfer from Social Services	
49		Block Grant -	
50		AIDS/HIV Education, Counseling,	
51		and Testing	66,939
52			
53	06.	Transfer from Social Services	

1	Block Grant -	
2	Emergency Medical Services	213,128
3		
4	07. Office of Minority Health	159,459
5		
6	08. Administrative Costs	108,546
7		
8	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$5,040,057
9		

10 **SECTION 5.1.(b)** Decreases in Federal Fund Availability. – If the United
 11 States Congress reduces federal fund availability in the Social Services Block Grant
 12 below the amounts appropriated in this section, then the Department of Health and
 13 Human Services shall allocate these decreases giving priority first to those direct
 14 services mandated by State or federal law, then to those programs providing direct
 15 services that have demonstrated effectiveness in meeting the federally and
 16 State-mandated services goals established for the Social Services Block Grant. The
 17 Department shall not include transfers from TANF for specified purposes in any
 18 calculations of reductions to the Social Services Block Grant.

19 If the United States Congress reduces the amount of TANF funds below the
 20 amounts appropriated in this section after the effective date of this act, then the
 21 Department shall allocate the decrease in funds after considering any underutilization of
 22 the budget and the effectiveness of the current level of services. Any TANF Block
 23 Grant fund changes shall be reported to the Senate Appropriations Committee on Health
 24 and Human Services, the House of Representatives Appropriations Subcommittee on
 25 Health and Human Services, and the Fiscal Research Division.

26 Decreases in federal fund availability shall be allocated for the Maternal and
 27 Child Health and Preventive Health Services federal block grants by the Department of
 28 Health and Human Services after considering the effectiveness of the current level of
 29 services.

30 **SECTION 5.1.(c)** Increases in Federal Fund Availability. – Any block grant
 31 funds appropriated by the United States Congress in addition to the funds specified in
 32 this act shall be expended by the Department of Health and Human Services, with the
 33 approval of the Office of State Budget and Management, provided the resultant
 34 increases are in accordance with federal block grant requirements and are within the
 35 scope of the block grant plan approved by the General Assembly.

36 **SECTION 5.1.(d)** Changes to the budgeted allocations to the block grants
 37 appropriated in this act shall be reported immediately to the Senate Appropriations
 38 Committee on Health and Human Services, the House of Representatives
 39 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
 40 Division.

41 **SECTION 5.1.(e)** Limitations on Preventive Health Services Block Grant
 42 Funds. – Twenty-five percent (25%) of funds allocated for Rape Prevention and Rape
 43 Education shall be allocated as grants to nonprofit organizations to provide rape
 44 prevention and education programs targeted for middle, junior high, and high school
 45 students.

46 If federal funds are received under the Maternal and Child Health Block
 47 Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42
 48 U.S.C. § 710), for the 2001-2002 fiscal year, then those funds shall be transferred to the
 49 State Board of Education to be administered by the Department of Public Instruction.
 50 The Department of Public Instruction shall use the funds to establish an Abstinence
 51 Until Marriage Education Program and shall delegate to one or more persons the
 52 responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department

1 of Public Instruction shall carefully and strictly follow federal guidelines in
2 implementing and administering the abstinence education grant funds.

3 **SECTION 5.1.(f)** The Department of Health and Human Services, Division
4 of Social Services, shall do the following:

- 5 (1) Continue the current evaluation of the Work First Program to assess
6 former recipients' earnings, barriers to advancement to economic
7 self-sufficiency, utilization of community support services, and other
8 longitudinal employment data. Assessment periods shall include six
9 and 18 months following closure of the case.
- 10 (2) Continue the current evaluation of the Work First Program to profile
11 the State's child-only caseload to include indicators of economic and
12 social well-being, academic and behavioral performance, demographic
13 data, description of living arrangements including length of placement
14 out of the home, social and other human services provided to families,
15 and other information needed to assess the needs of the child-only
16 Work First Family Assistance clients and families.
- 17 (3) Continue the current evaluation to profile clients and families
18 exempted from federal and State work participation requirements. The
19 evaluation shall include an assessment of the client and family needs
20 including why clients and families have been exempted.

21 The Department of Health and Human Services shall make a report on its
22 progress in complying with this subsection to the Senate Appropriations Committee on
23 Health and Human Services, the House of Representatives Appropriations
24 Subcommittee on Health and Human Services, and the Fiscal Research Division no later
25 than September 30, 2001, and shall make a final report no later than September 30,
26 2002.

27 **SECTION 5.1.(g)** The sum of two million eight hundred eleven thousand six
28 hundred eighty-seven dollars (\$2,811,687) appropriated in this section in the TANF
29 Block Grant to the Department of Health and Human Services, Special Children
30 Adoption Fund, for the 2001-2002 fiscal year shall be used to implement this
31 subsection. The Division of Social Services, in consultation with the North Carolina
32 Association of County Directors of Social Services and representatives of licensed
33 private adoption agencies, shall develop guidelines for the awarding of funds to licensed
34 public and private adoption agencies upon the adoption of children described in G.S.
35 108A-50 and in foster care. Payments received from the Special Children Adoption
36 Fund by participating agencies shall be used exclusively to enhance the adoption
37 services program. No local match shall be required as a condition for receipt of these
38 funds.

39 **SECTION 5.1.(h)** The sum of one million five hundred thousand dollars
40 (\$1,500,000) appropriated in this act in the TANF Block Grant and transferred to the
41 Social Services Block Grant to the Department of Health and Human Services, Division
42 of Social Services, for child caring agencies for the 2001-2002 fiscal year shall be
43 allocated to the State Private Child Caring Agencies Fund. These funds shall be
44 combined with all other funds allocated to the State Private Child Caring Agencies Fund
45 for the reimbursement of the State's portion of the cost of care for the placement of
46 certain children by the county departments of social services who are not eligible for
47 federal IV-E funds. These funds shall not be used to match other federal funds.

48 **SECTION 5.1.(i)** The sum of two million dollars (\$2,000,000) appropriated
49 in this act in the TANF Block Grant to the Department of Health and Human Services,
50 Division of Social Services, for the 2001-2002 fiscal year for the Intensive Family
51 Preservation Services (IFPS) Program shall be used by the Division in accordance with
52 the provisions of this subsection.

1 The Department of Health and Human Services shall review the Intensive
2 Family Preservation Services Program to enhance and implement initiatives which
3 focus on increasing the sustainability and effectiveness of the Program.

4 The Department of Health and Human Services shall require that any
5 program or entity that receives State, federal, or other funding for the purpose of
6 Intensive Family Preservation Services shall provide the following information on an
7 annual basis:

- 8 (1) An established follow-up system with a minimum of 12 months of
9 follow-up services.
- 10 (2) Detailed information on the specific interventions applied including
11 utilization indicators and performance measurement.
- 12 (3) Cost-benefit data.
- 13 (4) Data on long-term benefits associated with Intensive Family
14 Preservation Services. This data shall be obtained by tracking families
15 through the intervention process.
- 16 (5) The number of families remaining intact due to associated
17 interventions beyond 12 months.
- 18 (6) The number and percentage of minority race children who received
19 Intensive Family Preservation Services at a ratio essentially equivalent
20 to the ratio of their distribution in the general population exposed to
21 Child Protective Services involvement based on the CPS risk ratings.

22 The Department shall establish performance-based funding protocol and shall
23 only provide funding to those counties providing the required information specified in
24 subsection (b) of this section. The amount of funding shall be based on the individual
25 performance of each program.

26 The Department of Health and Human Services shall prepare an interim
27 report to the Senate Appropriations Committee on Health and Human Services, the
28 House of Representatives Appropriations Subcommittee on Health and Human
29 Services, and the Fiscal Research Division on the implementation of these changes by
30 January 1, 2002, and shall provide a final report no later than May 30, 2002.

31 **SECTION 5.1.(j)** The sum of three hundred thousand dollars (\$300,000)
32 appropriated in this section to the Department of Health and Human Services in the
33 Child Care and Development Fund Block Grant shall be used to develop and implement
34 a Medical Child Care Pilot.

35 **SECTION 5.1.(k)** The sum of one million dollars (\$1,000,000) appropriated
36 in this section to the Department of Health and Human Services in the TANF Block
37 Grant for Boys and Girls Clubs shall be used to make grants for approved programs.
38 The Department of Health and Human Services, in accordance with federal regulations
39 for the use of TANF Block Grant funds, shall administer a grant program to award
40 funds to the Boys and Girls Clubs across the State in order to implement programs that
41 improve the motivation, performance, and self-esteem of youths and to implement other
42 initiatives that would be expected to reduce school dropout and teen pregnancy rates.
43 The Department shall encourage and facilitate collaboration between the Boys and Girls
44 Clubs and Support Our Students, Communities in Schools, and similar programs to
45 submit joint applications for the funds if appropriate. The Department shall report on its
46 progress in complying with this subsection to the Senate Appropriations Committee on
47 Health and Human Services, the House of Representatives Appropriations
48 Subcommittee on Health and Human Services, and the Fiscal Research Division no later
49 than April 1, 2002.

50 **SECTION 5.1.(l)** Payment for subsidized child care services provided with
51 federal TANF funds shall comply with all regulations and policies issued by the
52 Division of Child Development for the subsidized child care program.

1 **SECTION 5.1.(m)** The sum of three million dollars (\$3,000,000)
2 appropriated in this section in the TANF Block Grant to the Department of Health and
3 Human Services, Division of Social Services, for the Work First Housing Initiative shall
4 be used to expand direct housing support to Work First clients and families. Direct
5 housing support includes using funds for rental assistance, loans, moving expenses, and
6 other financial assistance. No more than ten percent (10%) of these funds may be used
7 for administration. These funds may be used for counseling or similar services only if it
8 is demonstrated that those services are not otherwise available in the community.

9 **SECTION 5.1.(n)** The sum of five hundred thousand dollars (\$500,000)
10 appropriated in this section in the TANF Block Grant to the Department of Health and
11 Human Services, Division of Social Services, for the 2001-2002 fiscal year shall be
12 used to support administration of TANF-funded programs.

13 **SECTION 5.1.(o)** The sum of five million dollars (\$5,000,000) appropriated
14 in this section in the TANF Block Grant to the Department of Health and Human
15 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
16 Services, for the 2001-2002 fiscal year shall be used to provide regional residential
17 substance abuse treatment and services for women with children. The Department of
18 Health and Human Services, the Division of Social Services, and the Division of Mental
19 Health, Developmental Disabilities, and Substance Abuse Services, in consultation with
20 local departments of social services, area mental health programs, and other State and
21 local agencies or organizations, shall coordinate this effort in order to facilitate the
22 expansion of regionally based substance abuse services for women with children. These
23 services shall be culturally appropriate and designed for the unique needs of TANF
24 women with children.

25 In order to expedite the expansion of these services, the Secretary of the
26 Department of Health and Human Services may enter into contracts with service
27 providers.

28 The Department of Health and Human Services, the Division of Social
29 Services, and the Division of Mental Health, Developmental Disabilities, and Substance
30 Abuse Services, shall report on their progress in complying with this subsection no later
31 than October 1, 2001, and March 1, 2002, to the Senate Appropriations Committee on
32 Health and Human Services, the House of Representatives Appropriations
33 Subcommittee on Health and Human Services, and the Fiscal Research Division. These
34 reports shall include all of the following:

- 35 (1) The number and location of additional beds created.
- 36 (2) The types of facilities established.
- 37 (3) The delineation of roles and responsibilities at the State and local
38 levels.
- 39 (4) Demographics of the women served, the number of women served,
40 and the cost per client.
- 41 (5) Demographics of the children served, the number of children served,
42 and the services provided.
- 43 (6) Job placement services provided to women.
- 44 (7) A plan for follow-up and evaluation of services provided with an
45 emphasis on outcomes.
- 46 (8) Barriers identified to the successful implementation of the expansion.
- 47 (9) Identification of other resources needed to appropriately and
48 efficiently provide services to Work First recipients.
- 49 (10) Other information as requested.

50 **SECTION 5.1.(p)** The sum of two million seven hundred fifty thousand six
51 hundred seventy-four dollars (\$2,750,674) appropriated in this section in the TANF
52 Block Grant to the Department of Health and Human Services and transferred to the
53 Department of Juvenile Justice and Delinquency Prevention for the 2001-2002 fiscal

1 year shall be used to support the existing Support Our Students Program and to expand
2 the Program statewide, focusing on low-income communities in unserved areas. These
3 funds shall not be used for administration of the program.

4 **SECTION 5.1.(q)** The sum of two million dollars (\$2,000,000) appropriated
5 under this section in the TANF Block Grant to the Department of Health and Human
6 Services, Division of Social Services, for the 2001-2002 fiscal year shall be used to
7 provide domestic violence services to Work First recipients. The Division of Social
8 Services, in consultation with the Council for Women and local departments of social
9 services, shall develop and implement a mechanism by which these funds may be used
10 to facilitate delivery of domestic violence counseling, support, and other direct services
11 to clients. These funds shall not be used to establish new domestic violence shelters, for
12 State administration, or to facilitate lobbying efforts. The Department of Health and
13 Human Services and the Council for Women shall report on the uses of these funds no
14 later than February 1, 2002, to the Senate Appropriations Committee on Health and
15 Human Services, the House of Representatives Appropriations Subcommittee on Health
16 and Human Services, and the Fiscal Research Division.

17 **SECTION 5.1.(r)** The sum of two million two hundred thirty-nine thousand
18 two hundred sixty-one dollars (\$2,239,261) appropriated in this section in the TANF
19 Block Grant to the Department of Health and Human Services, Division of Public
20 Health, for the 2001-2002 fiscal year for adolescent pregnancy prevention shall be used
21 in accordance with this subsection.

22 The Department of Health and Human Services shall administer the
23 adolescent pregnancy prevention programs and the adolescent parenting programs
24 pursuant to the provisions of this subsection.

25 The programs shall include primary prevention efforts, secondary prevention
26 efforts, and special initiatives.

27 The Commission for Health Services may adopt rules necessary to implement
28 the programs.

29 State-level administrative costs for programs shall not exceed ten percent
30 (10%) of the total funds.

31 In awarding grants, the Department of Health and Human Services shall
32 target counties with the highest teen pregnancy rates, increasingly higher rates, high
33 rates within demographic subgroups, or greatest need for parenting programs. Grants
34 will be awarded on an annual basis.

35 Programs are not required to provide a cash match for these funds; however,
36 the Department may require an in-kind match.

37 Local adolescent pregnancy prevention councils are encouraged but not
38 required for program funding. State funds shall not be used for these activities.

39 The Department shall maintain the adolescent pregnancy prevention and
40 adolescent parenting program database created for the program via contract and shall
41 not continue to contract for database management, development, or analysis. Of the
42 funds appropriated to the Department in this act, the Department shall not spend more
43 than twenty-five thousand dollars (\$25,000) to transition the database from the
44 contractor to the Department. The Department shall continue to collect and manage
45 program data in order to conduct longitudinal studies in the future. Notwithstanding any
46 other provision of law, the Department shall not continue to have the
47 behavioral/attitudinal evaluation completed annually for all programs.

48 Of funds appropriated to the Department of Health and Human Services, the
49 Department shall not spend more than twenty-five thousand dollars (\$25,000) to
50 complete the longitudinal adolescent parenting program evaluation. The Department
51 shall not contract for additional evaluations or assessments of the adolescent pregnancy
52 prevention program or the adolescent parenting program during the 2001-2002 fiscal
53 year.

1 The Department of Health and Human Services shall plan an outcome-based
2 evaluation of the adolescent pregnancy prevention programs. In doing so, the
3 Department shall address how to properly evaluate all programs and may issue a request
4 for proposals to select an organization that has expertise in this area to assist with this
5 evaluation.

6 The Department shall report on activities conducted pursuant to this
7 subsection to the Senate Appropriations Committee on Health and Human Services, the
8 House of Representatives Appropriations Subcommittee on Health and Human
9 Services, and the Fiscal Research Division by March 1, 2002.

10 **SECTION 5.1.(s)** The sum of two million dollars (\$2,000,000) appropriated
11 in this section in the TANF Block Grant to the Department of Health and Human
12 Services, Division of Social Services, shall be used to expand after-school programs and
13 services for at-risk children. The Department shall develop and implement a grant
14 program to award grants to community-based programs that demonstrate the ability to
15 reach children at risk of teen pregnancy and school dropout. The Department shall
16 award grants to community-based organizations that demonstrate the ability to develop
17 and implement linkages with local departments of social services, area mental health
18 programs, schools, and other human services programs in order to provide support
19 services and assistance to the child and family. These funds may be used to establish
20 one position within the Division of Social Services to coordinate at-risk after-school
21 programs and shall not be used for other State administration. The Department shall
22 report no later than March 1, 2002, on its progress in complying with this section to the
23 Senate Appropriations Committee on Health and Human Services, the House of
24 Representatives Subcommittee on Health and Human Services, and the Fiscal Research
25 Division.

26 **SECTION 5.1.(t)** The sum of seven million two hundred sixty thousand
27 dollars (\$7,260,000) appropriated in this section in the TANF Block Grant to the
28 Department of Health and Human Services, Division of Social Services, for the
29 2001-2002 fiscal year for Child Welfare Improvements shall be allocated to the county
30 departments of social services for hiring or contracting additional staff on or after July
31 1, 2001, to investigate and provide services in Child Protective Services cases; to
32 provide foster care and support services; to recruit, train, license, and support
33 prospective foster and adoptive families; and to provide interstate and post-adoption
34 services for eligible families.

35 **SECTION 5.1.(u)** The sum of one million five hundred thousand dollars
36 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
37 Department of Health and Human Services, Division of Mental Health, Developmental
38 Disabilities, and Substance Abuse Services, for the 2001-2002 fiscal year and the sum
39 of one million dollars (\$1,000,000) appropriated in this section in the Substance Abuse
40 Prevention and Treatment Block Grant to the Department of Health and Human
41 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
42 Services, for the 2001-2002 fiscal year shall be used to continue a Comprehensive
43 Treatment Services Program in accordance with Section 21.60 of this act.

44 **SECTION 5.1.(v)** The sum of two million dollars (\$2,000,000) appropriated
45 in this section in the TANF Block Grant to the Department of Health and Human
46 Services, Division of Social Services, for fiscal year 2001-2002 shall be used to support
47 various child welfare training projects as follows:

- 48 (1) The sum of three hundred fifty thousand dollars (\$350,000) shall be
49 used to establish a regional training center in southeastern North
50 Carolina.
- 51 (2) The sum of seven hundred fifty thousand dollars (\$750,000) shall be
52 used to support the Masters Degree in Social Work/Baccalaureate
53 Degree in Social Work Collaborative.

- 1 (3) The sum of one hundred eighty thousand dollars (\$180,000) to provide
- 2 training for residential child care facilities.
- 3 (4) The sum of seven hundred twenty thousand dollars (\$720,000) to
- 4 provide for various other child welfare training initiatives.
- 5

6 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

7 **NER BLOCK GRANT FUNDS**

8 **SECTION 5.2.(a)** Appropriations from federal block grant funds are made
 9 for the fiscal year ending June 30, 2002, according to the following schedule:

10
 11 **COMMUNITY DEVELOPMENT BLOCK GRANT**

12	01. State Administration	\$1,000,000
13		
14	02. Urgent Needs and Contingency	1,000,000
15		
16	03. Scattered Site Housing	13,200,000
17		
18	04. Economic Development	8,710,000
19		
20	05. Community Revitalization	13,500,000
21		
22	06. State Technical Assistance	450,000
23		
24	07. Housing Development	2,000,000
25		
26	08. Infrastructure	5,140,000
27		
28		

29 **TOTAL COMMUNITY DEVELOPMENT**
 30 **BLOCK GRANT - 2002 Program Year** \$45,000,000

31
 32 **SECTION 5.2.(b)** Decreases in Federal Fund Availability. – Decreases in
 33 federal fund availability for the Community Development Block Grants. – If federal
 34 funds are reduced below the amounts specified above after the effective date of this act,
 35 then every program in each of these federal block grants shall be reduced by the same
 36 percentage as the reduction in federal funds.

37 **SECTION 5.2.(c)** Increases in Federal Fund Availability for Community
 38 Development Block Grant. – Any block grant funds appropriated by the Congress of the
 39 United States in addition to the funds specified in this section shall be expended as
 40 follows: Each program category under the Community Development Block Grant shall
 41 be increased by the same percentage as the increase in federal funds.

42 **SECTION 5.2.(d)** Limitations on Community Development Block Grant
 43 Funds. – Of the funds appropriated in this section for the Community Development
 44 Block Grant, the following shall be allocated in each category for each program year: up
 45 to one million dollars (\$1,000,000) may be used for State administration; up to one
 46 million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
 47 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
 48 Site Housing; up to eight million seven hundred ten thousand dollars (\$8,710,000) may
 49 be used for Economic Development; not less than thirteen million five hundred
 50 thousand dollars (\$13,500,000) shall be used for Community Revitalization; up to four
 51 hundred fifty thousand dollars (\$450,000) may be used for State Technical Assistance;
 52 up to two million dollars (\$2,000,000) may be used for Housing Development; up to
 53 five million one hundred forty thousand dollars (\$5,140,000) may be used for

1 Infrastructure. If federal block grant funds are reduced or increased by the Congress of
2 the United States after the effective date of this act, then these reductions or increases
3 shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

4 **SECTION 5.2.(e)** Increase Capacity for Nonprofit Organizations. –
5 Assistance to nonprofit organizations to increase their capacity to carry out
6 CDBG-eligible activities in partnership with units of local government is an eligible
7 activity under any program category in accordance with federal regulations. Capacity
8 building grants may be made from funds available within program categories, program
9 income, or unobligated funds.

10 **SECTION 5.2.(f)** Study. – The Department of Commerce shall study the
11 development of a training program designed to provide a minimum level of knowledge
12 and skills for Community Development Block Grant administrators. In conducting the
13 study, the Department shall consult the North Carolina League of Municipalities, the
14 North Carolina Association of County Commissioners, the North Carolina Community
15 Development Association, and the Institute of Government at the University of North
16 Carolina at Chapel Hill. The Department may use unencumbered and unspent State
17 Technical Assistance funds from previous program years to conduct the study. The
18 Department shall report its findings to the House and Senate Appropriations
19 Subcommittees on Natural and Economic Resources and the Fiscal Research Division
20 by February 1, 2002.

21 **PART VI. GENERAL PROVISIONS**

22
23 Requested by: Senators Plyler, Odom, Lee

24 **SPECIAL FUNDS, FEDERAL FUNDS, DEPARTMENTAL RECEIPTS, AND** 25 **CASH BALANCES/AUTHORIZATION FOR EXPENDITURES**

26 **SECTION 6.1.(a)** There is appropriated out of the cash balances, federal
27 receipts, and departmental receipts available to each department, sufficient amounts to
28 carry on authorized activities included under each department's operations. All these
29 cash balances, federal receipts, and departmental receipts shall be expended and
30 reported in accordance with provisions of the Executive Budget Act, except as
31 otherwise provided by statute, and shall be expended at the level of service authorized
32 by the General Assembly. If the receipts, other than gifts and grants that are
33 unanticipated and are for a specific purpose only, collected in a fiscal year by an
34 institution, department, or agency exceed the receipts certified for it in General Fund
35 Codes or Highway Fund Codes, then the Director of the Budget shall decrease the
36 amount he allots to that institution, department, or agency from appropriations from that
37 Fund by the amount of the excess, unless the Director of the Budget finds that the
38 appropriations from the Fund are necessary to maintain the function that generated the
39 receipts at the level anticipated in the certified Budget Codes for that Fund.

40 Funds that become available from overrealized receipts in General Fund
41 Codes and Highway Fund Codes may be used for new permanent employee positions or
42 to raise the salary of existing employees only as follows:

- 43 (1) As provided in G.S. 116-30.1, 116-30.2, 116-30.3, 116-30.4; or
- 44 (2) If the Director of the Budget finds that the new permanent employee
45 positions are necessary to maintain the function that generated the
46 receipts at the level anticipated in the certified budget codes for that
47 Fund. The Director of the Budget shall notify the President Pro
48 Tempore of the Senate, the Speaker of the House of Representatives,
49 the chairmen of the appropriations committees of the Senate and the
50 House of Representatives, and the Fiscal Research Division of the
51 Legislative Services Office that he intends to make such a finding at
52

1 least 10 days before he makes the finding. The notification shall set out
2 the reason the positions are necessary to maintain the function.

3 The Office of State Budget and Management shall report to the Joint
4 Legislative Commission on Governmental Operations and to the Fiscal Research
5 Division of the Legislative Services Office within 30 days after the end of each quarter
6 the General Fund Codes or Highway Fund Codes that did not result in a corresponding
7 reduced allotment from appropriations from that Fund.

8 **SECTION 6.1.(b)** There is appropriated from the Reserve for
9 Reimbursements to Local Governments and Shared Tax Revenues for each fiscal year
10 an amount equal to the amount of the distributions required by law to be made from that
11 reserve for that fiscal year.

12 **SECTION 6.1.(c)** The Director of the Budget shall develop necessary
13 budget controls, regulations, and systems to ensure that these funds and other State
14 funds subject to the Executive Budget Act are not spent in a manner that would cause a
15 deficit in expenditures.

16
17 Requested by: Senators Plyler, Odom, Lee

18 **INSURANCE AND FIDELITY BONDS**

19 **SECTION 6.2.** All insurance and all official fidelity and surety bonds
20 authorized for the several departments, institutions, and agencies shall be effected and
21 placed by the Department of Insurance, and the cost of placement shall be paid by the
22 affected department, institution, or agency with the approval of the Commissioner of
23 Insurance.

24
25 Requested by: Senators Plyler, Odom, Lee

26 **CONTINGENCY AND EMERGENCY FUND ALLOCATIONS**

27 **SECTION 6.3.(a)** Funds in the amount of five million dollars (\$5,000,000)
28 for the 2001-2002 fiscal year and five million dollars (\$5,000,000) for the 2002-2003
29 fiscal year are appropriated in this act to the Contingency and Emergency Fund. Of the
30 funds:

- 31 (1) The sum of three million eight hundred seventy-five thousand dollars
32 (\$3,875,000) for the 2001-2002 fiscal year and the sum of three
33 million eight hundred seventy-five thousand dollars (\$3,875,000) for
34 the 2002-2003 fiscal year shall be used only to respond to an
35 unanticipated disaster such as a fire, hurricane, or tornado;
- 36 (2) The sum of nine hundred thousand dollars (\$900,000) for the
37 2001-2002 fiscal year and the sum of nine hundred thousand dollars
38 (900,000) for the 2002-2003 fiscal year shall be used only (i) for the
39 purposes set out in subdivision (1) of this subsection, (ii) as required
40 by a court, Industrial Commission, or administrative hearing officer's
41 order or award, or (iii) to match unanticipated federal funds; and
- 42 (3) The sum of two hundred twenty-five thousand dollars (\$225,000) for
43 the 2001-2002 fiscal year and the sum of two hundred twenty-five
44 thousand dollars (\$225,000) for the 2002-2003 fiscal year shall be used
45 for the purposes set out in subdivisions (1) and (2) of this subsection or
46 for other allocations from the Contingency and Emergency Fund.

47 **SECTION 6.3.(b)** Funds appropriated to the Contingency and Emergency
48 Fund shall not be used to lease office space unless the expenditure is for a purpose set
49 out in subdivisions (1) or (2) of subsection (a) of this section.

50
51 Requested by: Senators Plyler, Odom, Lee

52 **AUTHORIZED TRANSFERS FROM SALARY ADJUSTMENT RESERVES**

1 **SECTION 6.4.** The Director of the Budget may transfer to General Fund
2 budget codes from the General Fund Salary Adjustment Reserves appropriation and
3 may transfer to Highway Fund budget codes from the Highway Fund Salary Adjustment
4 Reserve appropriation, amounts required to support approved salary adjustments made
5 necessary by difficulties in recruiting and holding qualified employees in State
6 government. The funds may be transferred only when salary reserve funds in individual
7 operating budgets are not available.

8 The Director of the Budget shall report to the Fiscal Research Division prior
9 to approving salary adjustments and transferring funds pursuant to this section.

10 Requested by: Senators Plyler, Odom, Lee

11 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

12 **SECTION 6.5.** All funds appropriated by this act into reserves may be
13 expended only for the purposes for which the reserves were established.

14 Requested by: Senators Plyler, Odom, Lee

15 **STATE MONEY RECIPIENTS/CONFLICT OF INTEREST POLICY**

16 **SECTION 6.6.** Each private, nonprofit entity eligible to receive State funds,
17 either by General Assembly appropriation, or by grant, loan, or other allocation from a
18 State agency, before funds may be disbursed to the entity, shall file with the disbursing
19 agency a notarized copy of that entity's policy addressing conflicts of interest that may
20 arise involving the entity's management employees and the members of its board of
21 directors or other governing body. The policy shall address situations in which any of
22 these individuals may directly or indirectly benefit, except as the entity's employees or
23 members of the board or other governing body, from the entity's disbursing of State
24 funds, and shall include actions to be taken by the entity or the individual, or both, to
25 avoid conflicts of interest and the appearance of impropriety.

26 Requested by: Senators Plyler, Odom, Lee

27 **DISBURSEMENTS TO NONPROFITS**

28 **SECTION 6.7.** G.S. 143-26 reads as rewritten:

29 **"§ 143-26. Director to have discretion as to manner of paying annual**
30 **appropriations.**

31 ~~(a) Unless otherwise provided, Except as provided in subsection (b) of this~~
32 section or as otherwise provided by law, it shall be discretionary with the Director of the
33 Budget whether any annual appropriation shall be paid in monthly, quarterly or
34 semiannual installments or in a single payment.

35 ~~(b) Except as otherwise provided by law, an annual appropriation of one hundred~~
36 thousand dollars (\$100,000) or less to or for the use of a nonprofit corporation shall be
37 paid in a single annual payment. An annual appropriation of more than one hundred
38 thousand dollars (\$100,000) to or for the use of a nonprofit corporation shall be paid in
39 quarterly or monthly installments, in the discretion of the Director of the Budget."
40

41 Requested by: Senators Plyler, Odom, Lee

42 **BUDGETING OF PILOT PROGRAMS**

43 **SECTION 6.8.(a)** Any program designated by the General Assembly as
44 experimental, model, or pilot shall be shown as a separate budget item and shall be
45 considered as an expansion item until a succeeding General Assembly reapproves it.

46 Any new program funded in whole or in part through a special appropriations
47 bill shall be designated as an experimental, model, or pilot program.

48 **SECTION 6.8.(b)** The Governor shall submit to the General Assembly with
49 his proposed budget a report of which items in the proposed budget are subject to the
50 provisions of this section.
51
52
53

1
2 Requested by: Senators Plyler, Odom, Lee

3 **APPROPRIATIONS EFFICIENCY STUDY**

4 **SECTION 6.9.** The Appropriations Committees of the Senate and House of
5 Representatives shall convene at least once a month during the interim period between
6 the 2001 General Assembly and the 2002 Regular Session of the 2001 General
7 Assembly to study the structure, duties, and functions of the various agencies and
8 programs of State government. The purpose of the study shall be to determine ways to
9 make State government more efficient and effective and to produce cost savings to the
10 citizens of the State. During the study, the Appropriations Committees shall review the
11 recommendations of the Governor's Efficiency Commission and shall consider the
12 feasibility of consolidating, eliminating, transferring, or privatizing certain programs,
13 divisions, or other entities where there is duplication of services or functions or where
14 the functions being performed are not cost-effective.

15
16 Requested by: Senators Plyler, Odom, Lee

17 **LIMITATIONS ON AGENCY LEGISLATIVE LIAISON**

18 **SECTION 6.10.(a)** Article 9A of Chapter 120 of the General Statutes is
19 amended by adding the following new section to read:

20 **"§ 120-47.12. Limitations on agency legislative liaisons.**

21 (a) No principal State department may use State funds to contract with persons
22 who are not employed by the State to serve as legislative liaisons or otherwise lobby the
23 General Assembly.

24 (b) No more than two persons in each principal State department may be
25 registered to lobby or designated as legislative liaisons pursuant to this Article."

26 **SECTION 6.10.(b)** G.S. 120-47.1 is amended by adding a new subdivision
27 to read:

28 "(4a) The term "legislative liaison personnel" means State officers and
29 employees whose principal duties involve lobbying."

30
31 Requested by: Senators Plyler, Odom, Lee

32 **RESERVE TO IMPLEMENT THE HEALTH INSURANCE PORTABILITY**
33 **AND ACCOUNTABILITY ACT (HIPAA)**

34 **SECTION 6.11.(a)** Funds in the amount of thirty million dollars
35 (\$30,000,000) are appropriated in this act to the Reserve to Implement HIPAA. This
36 reserve shall be located in the Office of Budget and Management.

37 **SECTION 6.11.(b)** The federal Health Insurance Portability and
38 Accountability Act (HIPAA) was enacted in 1996 and set many goals for the health care
39 industry. The act's primary purpose is to protect health insurance coverage for workers
40 and their families when workers change or lose jobs. This new protection requires
41 major administrative changes for health care programs. The most comprehensive
42 changes include: (i) moving from paper-based transactions to electronic transactions,
43 (ii) establishing national identifiers for providers, payers, and employers, and (iii)
44 upgrading security and privacy of health care information. Failure to implement
45 HIPAA requirements may result in denied or delayed reimbursements and severe civil
46 and criminal penalties.

47 **SECTION 6.11.(c)** The Office of State Budget and Management, in
48 consultation with the Chief Information Officer and the Secretary of Health and Human
49 Services, shall develop a strategic plan to implement the requirements outlined in
50 HIPAA. Specifically, the plan shall:

51 (1) Identify and document all requirements outlined in the federal HIPAA
52 legislation as they relate to State agencies;

- 1 (2) Include an assessment of the State's existing administrative systems,
 2 policies, and information technology systems, as they relate to the
 3 requirements of HIPAA;
 4 (3) Include a timeline for implementing all necessary administrative,
 5 policy, and technology changes to ensure compliance; and
 6 (4) Provide a detailed cost and cash flow analysis for each State agency
 7 subject to compliance. The analysis shall include personnel
 8 requirements, information technology equipment needs, and other
 9 operating and start-up expenses needed to implement HIPAA
 10 requirements.

11 **SECTION 6.11.(d)** The Office of State Budget and Management shall report
 12 on the strategic plan developed pursuant to this section to the Chairs of the Senate and
 13 House of Representatives Appropriations Committees, the Chairs of the Senate and
 14 House of Representatives Appropriations Subcommittees on Information Technology,
 15 the Joint Legislative Commission on Governmental Operations, and the Fiscal Research
 16 Division by October 1, 2001. No funds shall be spent to implement this section until the
 17 requirements of this subsection are met.

18 **SECTION 6.11.(e)** Prior to expending any funds to implement this section,
 19 the Office of State Budget and Management shall report to the Chairs of the Senate and
 20 House of Representatives Appropriations Committees, the Chairs of the Senate and
 21 House of Representatives Appropriations Subcommittees on Information Technology,
 22 the Joint Legislative Commission on Governmental Operations, and the Fiscal Research
 23 Division on proposed expenditures and projected monthly cash requirements for the
 24 2001-2002 fiscal year and beyond. After making this report, the Office of State Budget
 25 and Management shall report quarterly on its progress in implementing this section to
 26 the Chairs of the Senate and House of Representatives Appropriations Committees, the
 27 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
 28 Information Technology, the Joint Legislative Commission on Governmental
 29 Operations, and the Fiscal Research Division.

30
 31 Requested by: Senators Plyler, Odom, Lee

32 **LIMITATIONS ON USE OF STATE AIRCRAFT**

33 **SECTION 6.12.** No State-owned airplane or helicopter may be used to
 34 transport any member of a board or commission to or from a meeting of the board or
 35 commission to which that member is appointed. This section does not apply when the
 36 State-owned airplane or helicopter is traveling to a particular destination for official
 37 State business other than a meeting of a board or commission. This section does not
 38 apply to elected officials who serve on a board or commission by virtue of their office.
 39

40 Requested by: Senators Plyler, Odom, Lee

41 **ATTORNEY GENERAL REPORTING OF PENDING LAWSUITS**

42 **SECTION 6.13.** Article 1 of Chapter 114 is amended by adding a new
 43 section to read:

44 **"§ 114-2.6. Attorney General to report on pending lawsuits in which State is a**
 45 **party.**

46 By April 1 and October 1 each year, the Attorney General shall submit a written
 47 report to the Chairs of the Joint Legislative Commission on Governmental Operations,
 48 the Chairs of the Appropriations Committees of the Senate and House of
 49 Representatives, the Chairs of the Finance Committees of the Senate and House of
 50 Representatives, and the Fiscal Research Division of the Legislative Services Office on
 51 all pending lawsuits against the State, the status of the lawsuits, and the potential
 52 liability to the State. In addition, the Attorney General shall submit a written report to
 53 the Joint Legislative Commission on Governmental Operations, the Chairs of the

1 Appropriations Committees of the Senate and House of Representatives, the Chairs of
 2 the Finance Committees of the Senate and House of Representatives, and the Fiscal
 3 Research Division of the Legislative Services Office within 30 days of a final judgment
 4 that orders the State to pay the sum of one million dollars (\$1,000,000) or more."
 5

6 Requested by: Senators Plyler, Odom, Lee

7 **PRIVATE LICENSE PLATES ON PUBLICLY OWNED MOTOR VEHICLES**

8 **SECTION 6.14.(a)** Pursuant to the provisions of G.S. 14-250, for the
 9 2001-2003 fiscal biennium, the General Assembly authorizes the use of private license
 10 tags on State-owned motor vehicles only for the State Highway Patrol and for the
 11 following:

12 Department	13 Exemption Category	14 Number
14 Motor Vehicles	License and Theft	97
15 Justice	SBI Agents	277
16 Correction	Probation/Parole Surveillance 17 Officers (intensive 18 probation)	25
19 Crime Control and 20 Public Safety	ALE Officers	92
21 Revenue		24
22 Capitol Area 23 Police		2
24 Wildlife Resources 25 Commission	Wildlife Enforcement Officers	12.

26 **SECTION 6.14.(b)** The 92 ALE vehicles authorized by this section to use
 27 private license tags shall be distributed as follows:

- 28 (1) 54 among Agent I officers;
- 29 (2) 20 among Agent II officers;
- 30 (3) 1 to the Deputy Director;
- 31 (4) 12 to the District Offices/Extra Vehicles; and
- 32 (5) 5 to the Director, to be distributed at the Director's discretion.

33 **SECTION 6.14.(c)** Except as provided in this section, all State-owned motor
 34 vehicles shall bear permanent registration plates issued under G.S. 20-84.

35 **SECTION 6.14.(d)** G.S. 14-250 reads as rewritten:

36 **"§ 14-250. Publicly owned vehicle to be marked.**

37 It shall be the duty of the executive head of every department of the State
 38 government, and of any county, or of any institution or agency of the State, to have
 39 painted on every motor vehicle owned by the State, or by any county, or by any
 40 institution or agency of the State, a statement that such car belongs to the State or to
 41 some county, or institution or agency of the State. Provided, however, that no
 42 automobile used by any county officer or county official for the purpose of transporting,
 43 apprehending or arresting persons charged with violations of the laws of the State of
 44 North Carolina, shall be required to be lettered. Provided, further, that in lieu of the
 45 above method of marking motor vehicles owned by any agency or department of the
 46 State government, it shall be deemed a compliance with the law if such vehicles have
 47 imprinted on the license tags thereof, above the license number, the words "State
 48 Owned" and that such vehicles have affixed to the front thereof a plate with the
 49 statement "State Owned". Provided, further, that in lieu of the above method of marking
 50 vehicles owned by any county, it shall be deemed a compliance with the law if such
 51 vehicles have painted or affixed on the side thereof a circle not less than eight inches in
 52 diameter showing a replica of the seal of such county. Provided, further, that no
 53 county-owned motor vehicle used for transporting day or residential facility clients of

1 area mental health, developmental disabilities, and substance abuse authorities
2 established under Article 4 of Chapter 122C of the General Statutes shall be required to
3 be lettered; provided, further, notwithstanding this sentence, each vehicle shall bear the
4 distinctive permanent registration plate pursuant to G.S. 20-84. Provided, further, that in
5 lieu of the above method of marking vehicles owned by the State and permanently
6 assigned to members of the Council of State, it shall be deemed a compliance with the
7 law if such vehicles have imprinted on the license tags thereof the license number
8 assigned to the appropriate member of the Council of State pursuant to ~~G.S.~~
9 ~~20-81(4);G.S. 20-79.5~~, a member of the Council of State shall not be assessed any
10 registration fee if he elects to have a State-owned motor vehicle assigned to him
11 designated by his official plate number.

12 The General Assembly recognizes the need to allow the limited use of private
13 license plates on publicly owned vehicles, and may authorize exemptions from the
14 provisions of this section for each fiscal year. Each agency shall submit requests for
15 private tags to the Division of Motor Fleet Management of the Department of
16 Administration. The Division shall report the requests to the Appropriations
17 Committees of the General Assembly by June 1. The total number of private licenses
18 plates authorized by the General Assembly for each agency is inclusive of all
19 confidential license plates issued to the agency pursuant to G.S. 20-56 and all fictitious
20 license plates issued to the agency pursuant to G.S. 20-39(g) and G.S. 20-39(h).

21 For purposes of this section, the term "private license plate" refers to a license plate
22 that would normally be issued to a private party and therefore lacks any markings
23 indicating that it has been assigned to a publicly owned vehicle. "Confidential" license
24 plates are a specialized form of private license plate for which a confidential registration
25 has been authorized under G.S. 20-56. "Fictitious" license plates are a specialized form
26 of private license plate for which a fictitious registration has been issued under G.S. 20-
27 39(g) or G.S. 20-39(h)."

28 **SECTION 6.14.(e)** G.S. 20-39 reads as rewritten:

29 **"§ 20-39. Administering and enforcing laws; rules and regulations; agents, etc.;**
30 **seal; fees; licenses and plates for undercover officers.**

31 (a) ~~The Commissioner~~ Secretary of Transportation, or the Secretary's designee is
32 hereby vested with the power and is charged with the duty of administering and
33 enforcing the provisions of this Article and of all laws regulating the operation of
34 vehicles or the use of the highways, the enforcement or administration of which is now
35 or hereafter vested in the Division.

36 (b) ~~The Commissioner~~ Secretary of Transportation, or the Secretary's designee is
37 hereby authorized to adopt and enforce such rules and regulations as may be necessary
38 to carry out the provisions of this Article and any other laws the enforcement and
39 administration of which are vested in the Division.

40 (c) ~~The Commissioner~~ Secretary of Transportation, or the Secretary's designee is
41 authorized to designate and appoint such agents, field deputies, and clerks as may be
42 necessary to carry out the provisions of this Article.

43 (d) ~~The Commissioner~~ Secretary of Transportation, or the Secretary's designee
44 shall adopt an official seal for the use of the Division.

45 (e) ~~The Commissioner~~ Secretary of Transportation, or the Secretary's designee is
46 authorized to cooperate with and provide assistance to the Environmental Management
47 Commission, or appropriate local government officials, and to develop, adopt, and
48 ensure enforcement of necessary rules and regulations, regarding programs of motor
49 vehicle emissions inspection/maintenance required for areas in which ambient air
50 pollutant concentrations exceed National Ambient Air Quality Standards.

51 (f) ~~The Commissioner~~ Secretary of Transportation, or the Secretary's designee is
52 authorized to charge and collect the following fees for the verification of equipment to

1 be used on motor vehicles or to be sold in North Carolina, when that approval is
2 required pursuant to this Chapter:

3 (1) When a federal standard has been established, the fee shall be equal to
4 the cost of verifying compliance with the applicable federal standard;
5 or

6 (2) When no federal standard has been established, the fee shall be equal
7 to the cost of verifying compliance with the applicable State standard.
8 Any motor vehicle manufacturer or distributor who is required to
9 certify his products under the National Traffic and Motor Vehicle
10 Safety Act of 1966, as from time to time amended, may satisfy the
11 provisions of this section by submitting an annual written certification
12 to the ~~Commissioner~~ Secretary of Transportation, or the Secretary's
13 ~~designee~~ attesting to the compliance of his vehicles with applicable
14 federal requirements. Failure to comply with the certification
15 requirement or failure to meet the federal standards will subject the
16 manufacturer or distributor to the fee requirements of this subsection.

17 (g) The ~~Commissioner~~ Secretary of Transportation, or the Secretary's designee,
18 notwithstanding any other provision of this Chapter, but subject to the limitations on
19 private license plates established by the General Assembly under G.S. 14-250, may
20 lawfully to the extent necessary provide law-enforcement officers of the Division on
21 special undercover assignments with motor vehicle operator's licenses and motor
22 vehicle registration plates under assumed names using false or fictitious addresses. The
23 ~~Commissioner~~ Secretary of Transportation, or the Secretary's designee shall be
24 responsible for the request for issuance and use thereof. The ~~Commissioner~~ Secretary of
25 Transportation, or the Secretary's designee may direct the immediate return of any
26 operator's license or registration plate issued pursuant to this section.

27 (h) The ~~Commissioner~~ Secretary of Transportation, or the Secretary's designee,
28 notwithstanding any other provision of this Chapter, but subject to the limitations on
29 private license plates established by the General Assembly under G.S. 14-250, may
30 lawfully and to the extent necessary, provide local, State or federal law-enforcement
31 officers on special undercover assignments with motor vehicle drivers licenses and
32 motor vehicle registration plates under assumed names using false or fictitious
33 addresses. Such registration plates shall only be used on publicly owned or leased
34 ~~vehicles.~~ vehicles and shall not be used on privately owned vehicles under any
35 circumstances. Requests for these licenses and registration plates shall be made to the
36 ~~Commissioner~~ Secretary of Transportation, or the Secretary's designee by the head of
37 the local, State or federal law-enforcement agency and be accompanied by approval in
38 writing from the Director of the State Bureau of Investigation upon a specific finding by
39 the Director that the request is justified and necessary. The Director shall keep a record
40 of all such licenses, registration plates, assumed names, false or fictitious addresses, and
41 law-enforcement officers using the licenses or registration plates, and shall request the
42 immediate return of any license or registration plate that is no longer necessary.
43 Licenses and registration plates provided under this subsection shall expire six months
44 after initial issuance or subsequent validation after the request for extension has been
45 approved in writing by the Director of the State Bureau of Investigation. The head of the
46 local, State or federal law-enforcement agency shall be responsible for the use of the
47 licenses and registration plates and shall return them immediately to the ~~Commissioner~~
48 Secretary of Transportation, or the Secretary's designee for cancellation upon either (i)
49 their expiration, (ii) request of the Director of the State Bureau of Investigation, or (iii)
50 request of the ~~Commissioner~~ Secretary of Transportation, or the Secretary's designee.
51 Failure to return a license or registration plates issued pursuant to this subsection shall
52 be punished as a Class 2 misdemeanor. At no time shall the number of valid licenses
53 and registration plates issued under this act exceed one hundred twenty-five, and those

1 issued shall be strictly monitored by the Director. All of the private registration plates
2 issued to special agents of the State Bureau of Investigation under the Department of
3 Justice and to alcohol law enforcement agents under the Department of Crime Control
4 and Public Safety, pursuant to G.S. 14-250, may be fictitious plates and shall not be
5 counted in the total number of fictitious plates authorized by this subsection.

6 (i) Notwithstanding the requirements of G.S. 20-7.1 and G.S. 20-67(a), the
7 ~~Commissioner~~ Secretary of Transportation, or the Secretary's designee may correct the
8 address records of drivers license and registration plate holders as shown in the files of
9 the Division to that shown on notices and renewal cards returned to the Division with
10 new addresses provided by the United States Postal Service.

11 (j) The Secretary of Transportation, or the Secretary's designee shall administer
12 the issuance of private plates to State-owned vehicles under the provisions of G.S. 14-
13 250, G.S. 20-56, and subsections (g) and (h) of this section to ensure that the limitations
14 placed on the issuance of private license plates by the General Assembly are complied
15 with, that confidential and fictitious license plates are not used on private vehicles, that
16 confidential plates are only issued to those persons whose personal safety is
17 demonstrably at risk, and that all other laws governing the issuance of private license
18 plates are strictly complied with."

19 **SECTION 6.14.(f)** G.S. 20-56 reads as rewritten:

20 "**§ 20-56. Registration indexes.**

21 (a) The Division shall file each application received, and when satisfied as to the
22 genuineness and regularity thereof, and that the applicant is entitled to register such
23 vehicle and to the issuance of a certificate of title, shall register the vehicle therein
24 described and keep a record thereof as follows:

- 25 (1) Under a distinctive registration number assigned to the vehicle;
- 26 (2) Alphabetically, under the name of the owner;
- 27 (3) Under the motor number or any other identifying number of the
28 vehicle; and
- 29 (4) In the discretion of the Division, in any other manner it may deem
30 advisable.

31 (b) The Division shall may maintain a separate registration file for vehicles
32 bearing private tags which are owned or leased for use by individuals who comply with
33 the provisions of this subsection and who are in the following categories:

- 34 (1) Members of federal, State, and local law enforcement agencies if the
35 vehicles are used for the purpose of transporting, apprehending, or
36 arresting persons charged with violations of the laws of the United
37 States or the State of North Carolina;
- 38 (2) Agents for the Internal Revenue Service;
- 39 (3) Public officials.

40 Individuals in the aforementioned categories ~~must provide satisfactory evidence~~
41 shall demonstrate to the ~~Commissioner~~ Secretary of Transportation, or the Secretary's
42 designee that their personal safety is at risk, risk and provide details supporting that
43 claim. The fact that a person is a law enforcement officer is not sufficient by itself to
44 establish that the person's safety is at risk. The Secretary of Transportation, or the
45 Secretary's designee shall adopt strict verification procedures to ensure the integrity of
46 the registration system. This file shall be confidential for the use of the Division.

47 Upon the annual renewal of the registration of a vehicle for which a confidential file
48 has been established under this section, the information placed in that file shall lose its
49 confidential status unless the Secretary of Transportation, or the Secretary's designee is
50 supplied with information demonstrating that the person's safety remains at risk at the
51 time of renewal.

52 Private tags issued pursuant to this section are subject to the limitations on private
53 license plates established by the General Assembly under G.S. 14-250 and shall not be

1 placed on privately owned vehicles under any circumstances. The number of
2 confidential license plates issued under this section shall not exceed 500 at any time
3 unless the Secretary of Transportation, or the Secretary's designee finds that exceptional
4 circumstances exist that justify exceeding that number."

5 **SECTION 6.14.(g)** The Division of Motor Vehicles shall report to the Joint
6 Legislative Commission on Governmental Operations by January 1 and July 1 of each
7 year on the number of private plates issued to State-owned vehicles. The report shall
8 show the total number of private plates issued to each agency, the total number of
9 confidential plates issued to each agency, the total number of fictitious plates issued to
10 each agency, and any additional information necessary for an assessment of the agency's
11 compliance with G.S. 14-250.

12
13 Requested by: Senators Plyler, Odom, Lee

14 **PAYROLL TURNOVER ADJUSTMENT**

15 **SECTION 6.15.(a)** The purpose of the two percent (2%) turnover
16 adjustment set out in Section 2.1 of this act is to adjust the amount appropriated from
17 the General Fund for State-paid salaries to more accurately reflect actual salary
18 requirements of State-paid personnel. The Office of State Budget and Management
19 shall administer the two percent (2%) turnover adjustment by reducing the allotment to
20 each spending agency except for the public schools, community colleges, and State
21 colleges and universities by an amount equal to two percent (2%) of the amount
22 appropriated to that agency for regular salaries and wages including the employer's
23 contributions for retirement and social security.

24 **SECTION 6.15.(b)** The provisions of G.S. 143-23 shall not apply to
25 overexpenditures of funds other than salary funds that are necessary to implement this
26 section. Funds other than salary funds shall not be used to offset expenditures of salary
27 funds for new personnel positions or to reclassify or otherwise increase the salary of
28 existing employees.

29
30 Requested by: Senator Lee

31 **EXTEND THE COMMISSION TO ADDRESS SMART GROWTH, GROWTH
32 MANAGEMENT, AND DEVELOPMENT ISSUES**

33 **SECTION 6.16.** Section 16.7(g) of S.L.1999-237 reads as rewritten:

34 "Section 16.7.(g) Report. – The Commission shall submit an interim report to the
35 2000 Regular Session of the 1999 General Assembly and shall submit a final report of
36 its findings and recommendations by ~~January 15, 2001, October 1, 2001,~~ to the General
37 Assembly, the Governor, and the citizens of the State. The report may include
38 recommendations to (i) enact and implement a program of comprehensive planning,
39 supportive infrastructure development, and growth management and (ii) address the
40 issue of continued oversight of growth and development in the State, including whether
41 a permanent commission should be established. The Commission shall terminate upon
42 filing its final report."

43
44 **PART VII. DEPARTMENT OF ADMINISTRATION**

45
46 Requested by: Senators Warren, Plyler, Odom, Lee

47 **VETERAN'S SCHOLARSHIP PROGRAM**

48 **SECTION 7.1.** G.S. 165-20(3) reads as rewritten:

49 **"§ 165-20. Definitions.**

50 As used in this Article the terms defined in this section shall have the following
51 meaning:

52 ...

- 1 (3) "Child" means a person who is a domiciliary of North Carolina and is
 2 a resident of North Carolina when applying for a scholarship, who has
 3 completed high school or its equivalent prior to receipt of a scholarship
 4 as may be awarded under this Article, who has complied with the
 5 requirements of the Selective Service System, if applicable, and who
 6 further meets one of the following requirements:
 7 a. A person whose veteran parent was a legal resident of North
 8 Carolina at the time of said veteran's entrance into that period of
 9 service in the armed forces during which eligibility is
 10 established under G.S. 165-22.
 11 b. A veteran's child who was born in North Carolina and has lived
 12 in North Carolina continuously since birth. Provided, that the
 13 requirement in the preceding sentence as to birth in North
 14 Carolina may be waived by the Department of Administration if
 15 it is shown to the satisfaction of the Department that the child's
 16 mother was a native-born resident of North Carolina and was
 17 such resident at the time of her marriage to the veteran and was
 18 outside the State temporarily at the time of the child's birth,
 19 following which the child was returned to North Carolina
 20 within a reasonable period of time where said child has since
 21 lived continuously.
 22 c. A person meeting either of the requirements set forth in
 23 subdivision (3)a or b above, and who was legally adopted by
 24 the veteran prior to said person's reaching the age of 15 years."
 25

26 Requested by: Senators Warren, Plyler, Odom, Lee

27 **MODIFICATIONS TO THE STATE EMPLOYEE INCENTIVE BONUS**
 28 **PROGRAM**

29 **SECTION 7.2.(a)** G.S. 143-340(1) reads as rewritten:

- 30 "(1) To establish the State Employee Incentive Bonus Program pursuant to
 31 Article 36A of this Chapter, with the authority to adopt all rules
 32 necessary to implement the program. The Secretary shall serve ex
 33 officio on all program committees and shall designate an executive
 34 secretary to administer the program."

35 **SECTION 7.2.(b)** G.S. 143-345.20 reads as rewritten:

36 **"§ 143-345.20. Definitions.**

37 The following definitions apply in this Article:

- 38 (1) Baseline reversion. – The two-year historical average of reversions by
 39 a State department, agency, or institution.
 40 (2) Employing unit. – Any of the following:
 41 a. ~~The principal Council of State office or department enumerated~~
 42 ~~in G.S. 143A-11 for which a State employee works.~~
 43 b. ~~The principal State department enumerated in G.S. 143B-6 for~~
 44 ~~which a State employee works.~~
 45 c. ~~The constituent institution of The University of North Carolina~~
 46 ~~or the General Administration of The University of North~~
 47 ~~Carolina for which a State employee works.~~
 48 d. ~~The local school administrative unit for which a State employee~~
 49 ~~works.~~
 50 e. ~~The board, commission, or agency and its staff for which a~~
 51 ~~State employee works, if that agency is not organizationally~~
 52 ~~housed in any of the other offices, departments, or institutions~~
 53 ~~listed in this subdivision.~~

1 (2a) Participating agency. – Any State department, agency, or institution, or
2 any local school administrative unit that employs State employees
3 eligible to participate in the State Employee Incentive Bonus Program.
4 The term includes the North Carolina Community Colleges System,
5 The University of North Carolina and its constituent universities, and
6 charter schools. The term does not include federal or local government
7 agencies.

8 (2b) SEIBP. – Acronym for the State Employee Incentive Bonus Program.

9 (3) State employee. – Any of the following:

- 10 a. A person who is a contributing member of the Teachers' and
11 State Employees' Retirement System of North Carolina, the
12 Consolidated Judicial Retirement System of North Carolina, or
13 the Optional Program.
14 b. A person who receives wages from the State as a part-time or
15 temporary worker, but is not otherwise a contributing member
16 of one of the retirement programs listed in sub-subdivision a. of
17 this subdivision."

18 **SECTION 7.2.(c) G.S. 143-345.21 reads as rewritten:**

19 **"§ 143-345.21. State employee incentive bonus.**

20 (a) A State employee or team of State employees may receive an incentive bonus
21 or bonuses in reward for suggestions or innovations resulting in monetary savings to the
22 State, increased revenues to the State, or improved quality of services delivered to the
23 public.

24 ~~(b) In addition to any bonuses paid directly to individual State employees, a~~
25 ~~portion of the cost savings associated with any savings realized from permanent~~
26 ~~efficiencies implemented pursuant to this Article may be contributed to a reserve fund~~
27 ~~for State employee performance bonuses. Funds for State employee incentive bonuses~~
28 ~~shall only come from savings including reversions above the baseline reversion of the~~
29 ~~employing State department, agency, or institution.~~

30 ~~(b1) The amount of savings generated by suggestions and innovations shall be~~
31 ~~determined after a 12-month period of implementation. No incentive bonus shall be paid~~
32 ~~prior to the expiration of 12 months, and payment may be delayed further as reasonably~~
33 ~~required to ensure that a complete cost implementation cycle is evaluated fully.~~

34 ~~(c) Savings generated by suggestions and innovations shall be determined at the~~
35 ~~end of the fiscal year in which the suggestion or innovation is implemented or the~~
36 ~~determination may be carried over for one full fiscal year after implementation before~~
37 ~~making an award if the actual savings cannot be verified before the end of the fiscal~~
38 ~~year. Any savings are to be calculated using the actual expenditures for a program,~~
39 ~~activity, or service compared to the budgeted amount for the same, if an amount has~~
40 ~~been budgeted for the program, activity, or service. The savings calculation shall~~
41 ~~include the amount of any reversions in excess of the baseline reversion. The savings or~~
42 ~~revenue increases realized from any suggestion or innovation implemented for less than~~
43 ~~one full fiscal year shall be annualized. Any savings realized through the State Employee~~
44 ~~Incentive Bonus Program shall be weighed against continued service to the~~
45 ~~public. public and the assurance that there is not a negative impact on State programs.~~

46 ~~(d) If a suggestion or innovation affects a program, activity, or service for which~~
47 ~~no separate budgeted amount has been made, the State Coordinator, in conjunction with~~
48 ~~the agency evaluator or agency fiscal officer, or both for that suggestion or innovation,~~
49 ~~shall determine the budgetary impact of the suggestion or innovation.~~

50 ~~(e) Federal and local government funds and corporate and foundation grant funds~~
51 ~~are excluded from the SEIBP.~~

52 ~~(f) The Department of Administration shall establish the SEIBP reserve fund in~~
53 ~~which all savings for all suggestions shall be deposited as earned. Each participating~~

1 agency shall be responsible for transferring savings to the SEIBP reserve fund. The
2 funds may be encumbered as needed to ensure payment to the General Fund, to the
3 suggester, and for distribution as required by G.S. 143-345.22. The Department of
4 Administration shall provide the SEIBP reserve fund summary at the close of each
5 fiscal year to the Office of State Budget and Management and to the participating
6 agencies. The Office of State Budget and Management shall have oversight
7 responsibility for ensuring that the required reversions and transfers are made to the
8 General Fund, and that all encumbered funds are accounted for and paid as required by
9 law.

10 (g) No distribution of suggester awards shall occur until reversion requirements
11 to the General Fund are met and distributions as required by G.S. 143-345.22 are
12 satisfied and verified by the Office of State Budget and Management. When all of the
13 requirements of G.S. 143-345.22 are fulfilled, the Department of Administration shall
14 transfer to the suggester's agency funds required to award the suggester. The suggester's
15 agency shall make the suggestion award and ensure that all taxes and withholding
16 requirements are met.

17 (h) Implementation costs may be prorated over a maximum of three years for
18 suggestions or innovations that are capital intensive, involve leading-edge technology,
19 or involve unconventional processes that require longer than 12 months for
20 implementation. The amount of the average annual savings minus the average annual
21 implementation cost shall be used as the basis for the agency to recommend a suggester
22 award. The State Review Committee shall consult the Office of State Budget and
23 Management to make the final award determination in these cases.

24 (i) There is established in the Department of Administration a nonreverting fund
25 to be administered by the Office of State Personnel for the training and education of
26 permanent State employees to address specific mission critical needs and objectives.
27 Funds shall be credited from the SEIBP to the fund as provided by this Article."

28 **SECTION 7.2.(d)** G.S. 143-345.22 reads as rewritten:

29 "**§ 143-345.22. Allocation of incentive bonus funds; nonmonetary recognition.**

30 (a) If a State employee's suggestion or innovation results in a monetary savings
31 or increased revenue to the State, the funds saved or increased shall be distributed
32 according to the following scale or subject to guidelines as set forth by the funding
33 source:

34 (1) Twenty percent (20%) of the annualized savings or increased
35 revenues, up to a maximum of twenty thousand dollars (\$20,000) for
36 any one State employee, to constitute gainsharing. If a team of State
37 employees is the suggester, the bonus provided in this subdivision
38 shall be divided equally among the team members, except that no team
39 member ~~may~~ shall receive in excess of twenty thousand dollars
40 (\$20,000), nor ~~may~~ shall the team receive an aggregate amount in
41 excess of one hundred thousand dollars (\$100,000). These funds shall
42 not revert.

43 (2) ~~Thirty percent (30%) for all current employees in the work unit, as~~
44 ~~designated by the agency head, of the employing unit of the~~
45 ~~suggester, allocated as follows:~~

46 a. Ten percent (10%) to the implementing agency for nonrecurring
47 budget items to be used (i) by the implementing agency to
48 provide equipment, supplies, training, and limited but
49 appropriate recognition for the division, section, or group
50 responsible for the implementation of the cost-saving measure
51 and (ii) to meet other similar needs within the agency.

1 **b.** Ten percent (10%) to the Department of Administration for
2 augmenting funding for the management and administration of
3 the SEIBP. These funds shall not revert.

4 **c.** Ten percent (10%) to the State employee education and training
5 fund administered by the Office of State Personnel under G.S.
6 143-342.21(i). These funds shall not revert.

7 (3) The remainder to the General Fund for nonrecurring budget items.

8 (a1) Of the pool of funds identified in subsection (a) of this section, only the
9 General Fund appropriations shall be subject to reversion, except during declared
10 budget emergencies. Under nonemergency budget conditions, SEIBP funds arising from
11 savings at The University of North Carolina, the North Carolina Community Colleges
12 System, the Highway Trust Fund, enterprise funds, and receipt-supported organizations
13 shall be exempt from the General Fund reversion requirements.

14 (b) The budget of a State agency shall not be reduced in the following fiscal year
15 by an amount similar to the monetary savings or increased revenues realized by the
16 State Employee Incentive Bonus Program. The agency budget shall be reduced in
17 subsequent years only if structural or organizational changes are made that warrant the
18 reductions, including the transfer of responsibility for an activity or service to another
19 agency or the elimination of some function of State government.

20 (c) If a suggestion or innovation results in improved quality of services to the
21 public or to other State agencies, departments, and institutions, but not in monetary
22 savings to the State, the suggester shall receive a nonmonetary award in the form of a
23 certificate, leave with pay, or other similar recognition."

24 **SECTION 7.2.(e)** G.S. 143-345.23 reads as rewritten:

25 "**§ 143-345.23. Suggestion and review process; role of agency coordinator and**
26 **agency evaluator.**

27 (a) The process for a State employee or team of State employees to submit a
28 cost-saving or revenue-increasing proposal shall begin ~~by~~ with the employee or team of
29 employees submitting the suggestion or innovation to an agency ~~coordinator designated~~
30 ~~by the State department, agency, or institution impacted by the suggestion or~~
31 ~~innovation coordinator.~~ The agency coordinator, in conjunction with an agency
32 evaluator, shall review the suggestion or innovation for submission to the State Review
33 Committee established in ~~G.S. 143-345.14~~ G.S. 143-345.24.

34 (b) An agency coordinator shall be appointed by the head of each participating
35 agency to serve as liaison between the agency, the suggester, the agency evaluator, and
36 the SEIBP office. The duties of the agency coordinator shall include:

37 (1) Serving as an information source and maintaining sufficient forms
38 necessary to submit suggestions.

39 (2) ~~Responsibility for presenting, Presenting,~~ in conjunction with the
40 agency evaluator, the ~~plan of implementation for a suggestion or~~
41 ~~innovation recommendation for an award to the State Review~~
42 Committee.

43 (3) Working in conjunction with the agency evaluator ~~designated by the~~
44 ~~Agency Coordinator for to process a particular suggestion or~~
45 ~~innovation innovation within 180 days, except when there are~~
46 extenuating circumstances.

47 An agency may have more than one coordinator if required to provide sufficient
48 services to State employees.

49 (c) An agency evaluator shall be designated by the management of the
50 implementing agency to evaluate one or more suggestions. The duties of an agency
51 evaluator shall include:

52 (1) ~~Reviewing~~ Receiving from the agency coordinator and reviewing
53 within 90 days, when possible, the feasibility and effectiveness of

1 cost-saving or revenue-increasing measures suggested by State
2 employees.

3 (2) Being knowledgeable of the subject program, activity, or service.

4 (3) Determining, in conjunction with the agency fiscal officer, the
5 budgetary impact of a suggestion or innovation.

6 (4) Judging impartially both the positive and negative effects of a
7 suggestion or innovation on the current functions of the subject
8 program, activity, or service.

9 ~~The specific assignments of the agency evaluator shall be determined by the agency~~
10 ~~coordinator.~~

11 (d) ~~The State Coordinator-executive secretary~~ shall be responsible for general
12 oversight and coordination of the State Employee Incentive Bonus Program. The State
13 ~~Coordinator-coordinator~~ shall be ~~a State~~ an employee working in of the Department of
14 Administration. The State coordinator shall be responsible for day-to-day SEIBP
15 program management and administration of the technical aspects of the program. The
16 State coordinator shall be an ex officio voting member of the State Review Committee."

17 **SECTION 7.2.(f)** G.S. 143-345.24 reads as rewritten:

18 **"§ 143-345.24. Incentive Bonus Review Committee.**

19 (a) The Incentive Bonus Review Committee, hereinafter "State Review
20 Committee", shall consist of nine members, as follows:

21 (1) The State Coordinator.

22 (2) A representative of the Office of State Budget and Management.

23 (3) A representative of the Office of State Personnel.

24 (4) A representative of The University of North Carolina.

25 (5) A representative of the Department of Justice.

26 (6) A representative of the Department of Labor.

27 (7) One State employee appointed by the Speaker of the House of
28 Representatives.

29 (8) One State employee appointed by the President Pro Tempore of the
30 Senate.

31 (9) One State employee appointed by the Governor upon the
32 recommendation of the State Employees Association of North
33 Carolina, Inc.

34 (b) The duties of the State Review Committee shall include:

35 (1) ~~Responsibility for receiving~~ Receiving from the various agency
36 coordinators recommendations on ~~suggestion and innovation~~
37 implementation plans, suggestions and innovations.

38 (2) Determining the impact of a suggestion or innovation on State
39 government services by judging the monetary savings, increased
40 revenues, or improved quality of services generated by a suggestion or
41 innovation.

42 (3) Ensuring that the State employee incentive bonus process does not
43 result in a negative impact on services provided to taxpayers by State
44 government.

45 (c) All administrative, management, clerical, and other functions and services
46 required by the State Review Committee shall be supplied by the Department of
47 Administration. The Department of Administration and the State Review Committee
48 shall report annually to the Joint Legislative Commission on Governmental Operations
49 on the administration of the State Employee Incentive Bonus Program."

50 **SECTION 7.2.(g)** G.S. 143-345.25 reads as rewritten:

51 **"§ 143-345.25. Effect Innovations deemed property of the State; effect of decisions**
52 **regarding bonuses.**

1 (a) All suggestions or innovations submitted by State employees pursuant to this
 2 Article are the property of the ~~State~~ State, and all related intellectual property rights
 3 shall be assigned to the State. By January 1, 2002, the Office of State Personnel shall
 4 establish a policy regarding intellectual property rights that arise from the SEIBP.

5 (b) Decisions regarding the award of bonuses by the agency coordinator and the
 6 State Review Committee are final and are not subject to review under the contested case
 7 procedures of Chapter 150B of the General Statutes."

8 **SECTION 7.2.(h)** This section becomes effective July 1, 2001, and applies
 9 to State employee suggestions and innovations submitted on or after that date.

10 Requested by: Senators Warren, Plyler, Odom, Lee

11 **STUDY OF MOTOR FLEET MANAGEMENT**

12 **SECTION 7.3.** The Office of State Budget and Management shall study the
 13 operations of the State motor fleet management system and shall consider the feasibility
 14 of privatizing the function. The Office of State Budget and Management shall report
 15 the results of this study to the 2002 Regular Session of the 2001 General Assembly.
 16

17 Requested by: Senators Warren, Plyler, Odom, Lee

18 **MOTOR POOL OPERATIONS AND ASSIGNMENT OF VEHICLES**

19 **SECTION 7.4.** G.S. 143-341(8)(i) reads as rewritten:

20 **"§ 143-341. Powers and duties of Department.**

21 The Department of Administration has the following powers and duties:

22 **(8)** General Services:

23 **i.** To establish and operate a central motor pool and such
 24 subsidiary related facilities as the Secretary may deem
 25 necessary, and to that end:

26 **4.** To maintain, store, repair, dispose of, and replace
 27 state-owned motor vehicles under the control of the
 28 Department. The Department shall ensure that
 29 state-owned vehicles are not normally replaced until they
 30 have been driven for ~~90,000~~ 110,000 miles or more.

31 **5.** Upon proper requisition, proper showing of need for use
 32 on State business only, and proper showing of proof that
 33 all persons who will be driving the motor vehicle have
 34 valid drivers' licenses, to assign economically suitable
 35 transportation, either on a temporary or permanent basis,
 36 to any State employee or agency. An agency assigned a
 37 motor vehicle may not allow a person to operate that
 38 motor vehicle unless that person displays to the agency
 39 and allows the agency to copy that person's valid driver's
 40 license. Notwithstanding G.S. 20-30(6), persons or
 41 agencies requesting assignment of motor vehicles may
 42 photostat or otherwise reproduce drivers' licenses for
 43 purposes of complying with this subpart.

44 As used in this subpart, "economically suitable
 45 transportation" means the most cost-effective standard
 46 vehicle in the State motor fleet, unless special towing
 47 provisions are required by the ~~employee or~~ agency. The
 48 Department may not assign any employee or agency a
 49 motor vehicle that is not economically suitable. The
 50
 51
 52
 53

1 Department shall not approve requests for vehicle
2 assignment or reassignment when the purpose of that
3 assignment or reassignment is to provide any employee
4 with a newer or lower mileage vehicle because of his or
5 her rank, management authority, or length of service or
6 because of any non-job-related reason. The Department
7 shall not assign "special use" vehicles, such as
8 four-wheel drive vehicles or law enforcement vehicles,
9 to any agency or individual except upon written
10 justification, verified by historical data, and accepted by
11 the Secretary. The Department may provide law
12 enforcement vehicles only to those agencies which have
13 statutory pursuit authority."
14

15 Requested by: Senators Warren, Plyler, Odom, Lee

16 **PLAN FOR PRIVATIZATION OF STATE CAPITOL POLICE**

17 **SECTION 7.5.** The Department of Administration shall develop a plan for
18 privatizing the security services that State Capitol Police currently provide. The
19 Department shall report on its plan, including the costs of implementation, by January 1,
20 2002, to the Joint Legislative Commission on Governmental Operations, the Cochairs of
21 the Senate Appropriations Committee, the Chair of the Senate Appropriations
22 Committee on General Government, the Cochairs of the House of Representatives
23 Appropriations Committee, the Cochairs of the House of Representatives
24 Appropriations Subcommittee on General Government, and the Fiscal Research
25 Division.
26

27 Requested by: Senators Warren, Plyler, Odom, Lee

28 **TRANSFER BOARD OF SCIENCE AND TECHNOLOGY**

29 **SECTION 7.6.** The statutory authority, power, duties, functions, records,
30 personnel, property, unexpended balances of appropriations, allocations, or other funds,
31 including the functions of budgeting and purchasing, of the North Carolina Board of
32 Science and Technology, as established in G.S. 143B-426.30, are transferred to the
33 Department of Commerce. Part 27 of Article 9 of Chapter 143B of the General Statutes
34 is recodified as Part 18 of Article 10 of Chapter 143B of the General Statutes and the
35 Revisor of Statutes shall substitute the term "Commerce" for the term "Administration"
36 everywhere that term appears in Part 18 of Article 10 of Chapter 143B of the General
37 Statutes.
38

39 **PART VIII. OFFICE OF ADMINISTRATIVE HEARINGS**

40
41 Requested by: Senators Warren, Plyler, Odom, Lee

42 **OFFICE OF ADMINISTRATIVE HEARINGS RECLASSIFICATION OF**
43 **POSITIONS**

44 **SECTION 8.1.** The Office of Administrative Hearings shall reclassify
45 positions in the Rules Division, Civil Rights Division, Hearings Division, and
46 Administration Division of the Office of Administrative Hearings in accordance with
47 the findings and recommendations of the Office of State Personnel submitted to the
48 General Assembly on January 30, 2001.
49

50 **PART IX. OFFICE OF THE STATE AUDITOR**

51
52 Requested by: Senators Warren, Plyler, Odom, Lee

53 **ELECTRONIC DISTRIBUTION OF AUDITOR'S REPORTS**

1 **SECTION 9.1.(a)** G.S. 147-64.6(c) reads as rewritten:

2 "(c) The Auditor shall be responsible for the following acts and activities:

3 ...
4 (12) The Auditor shall provide ~~in a written statement a report~~ to the
5 Governor and Attorney General, and other appropriate officials, of
6 such facts as are in his possession which pertain to the apparent
7 violation of penal statutes or apparent instances of malfeasance,
8 misfeasance, or nonfeasance by an officer or employee.

9 ...
10 (14) The Auditor shall ~~provide copies of each audit report to notify~~ the
11 General Assembly, the Governor, the Chief Executive Officer of each
12 agency audited, and other persons as the Auditor deems ~~appropriate.~~
13 appropriate that an audit report has been published, its subject and title,
14 and the locations, including State libraries, at which the report is
15 available. The Auditor shall then distribute copies of the report only to
16 those who request a report. The copies shall be in written or electronic
17 form, as requested. He shall also file a copy of the audit report in the
18 Auditor's office, which will be a permanent public record; Provided,
19 nothing in this subsection shall be construed as authorizing or
20 permitting the publication of information whose disclosure is
21 otherwise prohibited by law.

22 ...
23 **SECTION 9.1.(b)** G.S. 147-64.5(a) reads as rewritten:

24 "(a) Joint Legislative Commission on Governmental Operations. – The Auditor
25 shall furnish copies of any and all audits only when requested by the Joint Legislative
26 Commission on Governmental Operations. The copies shall be in written or electronic
27 form, as requested. Accordingly, the Auditor shall, upon request by the chairmen,
28 appear before the Commission to present findings and answer questions concerning the
29 results of these audits. The Commission is hereby authorized to use these audit findings
30 in its inquiries concerning the operations of State agencies and is empowered to require
31 agency heads to advise the Commission of actions taken or to be taken on any
32 recommendations made in the report or explain the reasons for not taking action."
33

34 **PART X. OFFICE OF THE STATE CONTROLLER**

35 Requested by: Senators Warren , Plyler, Odom, Lee

36 **OVERPAYMENTS AUDIT**

37 **SECTION 10.1.(a)** During the 2001-2002 fiscal year, receipts generated by
38 the collection of inadvertent overpayments by State agencies to vendors as a result of
39 pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed
40 refunds, erroneously paid excise taxes, and related errors as required by G.S.
41 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

42 **SECTION 10.1.(b)** For the 2001-2002 fiscal year, two hundred thousand
43 dollars (\$200,000) of the funds transferred from the Special Reserve Account 24172
44 shall be used by the Office of the State Controller for data processing, debt collection,
45 or e-commerce costs.

46 **SECTION 10.1.(c)** All funds available in the Special Reserve Account
47 24172 on July 1, 2001, are transferred to the General Fund on that date.

48 **SECTION 10.1.(d)** Any unobligated funds in the Special Reserve Account
49 24172 that are realized above the allowance in subsection (b) of this section are subject
50 to appropriation by the General Assembly in the 2002 Regular Session of the 2001
51 General Assembly.
52

- 1 (2) Secretary of Commerce, or a designee.
 2 (3) Commanding General 18th Airborne Corps, Fort Bragg.
 3 (4) Commanding General Marine Corps Base, Camp Lejeune.
 4 (5) Commanding General Marine Corps Air Station, Cherry Point.
 5 (6) Commander 4th FW, Seymour Johnson Air Force Base.
 6 (7) Commander 43rd Airlift Wing, Pope Air Force Base.
 7 (8) Commander of the U.S. Coast Guard Support Center, Elizabeth City.
 8 (9) Adjutant General of the North Carolina National Guard.
 9 (d) The Executive Committee appointed pursuant to subsection (b) of this section
 10 shall choose a Chairman and four Vice-Chairmen from amongst its membership.

11 **"§ 127C-3. Military Advisor.**

12 The Military Advisor within the Office of the Governor shall serve as the
 13 administrative head of the Commission and be responsible for the operations and
 14 normal business activities of the Commission, with oversight by the Executive
 15 Committee.

16 **"§ 127C-4. Purposes.**

17 The Commission shall have the following responsibilities and duties:

- 18 (1) Advise the Governor and Secretary of Commerce on how to strengthen
 19 the State's relationship with the military to protect the installations of
 20 this State from the results of any future defense budget cuts or military
 21 downsizing by providing a sound infrastructure, affordable housing,
 22 and affordable education for military members and their families,
 23 working to be viewed by national military leaders as the most military-
 24 friendly State in the nation.
 25 (2) Develop a strategic plan to provide initiatives to support the long-term
 26 viability and prosperity of the military of this State that shall include,
 27 at least:
 28 a. A comprehensive Economic Impact Study of Military Activities
 29 in North Carolina to be conducted by the North Carolina State
 30 University Department of Economics and the East Carolina
 31 University Office of Regional Development.
 32 b. A Strengths/Weaknesses/Opportunities/Threats (SWOT)
 33 Analysis conducted by a professional strategic planning group
 34 on the current status of the military in North Carolina.
 35 (3) Study ways to improve educational opportunities for military
 36 personnel in North Carolina.
 37 (4) Assist in coordinating the State's interests in future activities of the
 38 Department of Defense.
 39 (5) Promote initiatives to improve the quality of life for military personnel
 40 in this State.

41 **"§ 127C-5. Expenses of the Commission.**

42 (a) The Governor shall include the funding requirements for the Commission in
 43 the annual budget for the Office of the Governor.

44 (b) Commission members shall receive per diem and travel reimbursements as
 45 provided in G.S. 138-5 and G.S. 138-6, as appropriate."

46
 47 Requested by: Senators Warren, Plyler, Odom, Lee

48 **ELIMINATE STATE PLANNING UNIT AND RENAME BUDGET OFFICE**

49 **SECTION 12.2.(a)** G.S. 143-10.3, 143-10.4, 143-10.5, and 143-10.6 are
 50 repealed.

51 **SECTION 12.2.(b)** The phrase "Office of State Budget, Planning, and
 52 Management" is deleted and replaced by the phrase "Office of State Budget and
 53 Management" wherever it occurs in each of the following General Statutes:

1	G.S. 7A-101.	Compensation.
2	G.S. 7A-113.	Bookkeeping and accounting systems equipment.
3	G.S. 18B-1009.	In-stand sales.
4	G.S. 20-7.	Issuance and renewal of drivers licenses.
5	G.S. 47-30.	Plats and subdivisions; mapping requirements.
6	G.S. 58-6-25.	Insurance regulatory charge.
7	G.S. 58-85A-1.	Creation of Fund; allocation to local fire districts and
8		political subdivisions of the State.
9	G.S. 62A-25.	Use of funds.
10	G.S. 96-4.	Administration.
11	G.S. 96-32.	Common follow-up information management system
12		created.
13	G.S. 96-35.	Reports on common follow-up system activities.
14	G.S. 97-80.	Rules and regulations; subpoena of witnesses;
15		examination of books and records; depositions; costs.
16	G.S. 105-130.5.	Adjustments to federal taxable income in determining
17		State net income.
18	G.S. 105-134.6.	Adjustments to taxable income.
19	G.S. 105-262.	Rules.
20	G.S. 108A-27.8.	Standard Program Counties – Duties of Department.
21	G.S. 115C-457.1.	Creation of Fund; administration.
22	G.S. 115C-457.2.	Remittance of moneys to the Fund.
23	G.S. 115C-457.3.	Transfer of funds to the State School Technology
24		Fund.
25	G.S. 115C-546.1.	Creation of Fund; administration.
26	G.S. 115D-31.	State financial support of institutions.
27	G.S. 116-220.	Establishment and administration of self-insurance
28		trust funds; rules and regulations; defense of actions
29		against covered persons; application of § 143-300.6.
30	G.S. 120-30.45.	Fiscal note on legislation.
31	G.S. 120-30.49.	Compiling federal mandates; annual report.
32	G.S. 120-36.8.	Certification of legislation required by federal law.
33	G.S. 120-131.1.	Requests from legislative employees for assistance in
34		the preparation of fiscal notes.
35	G.S. 120-166.	Additional criteria; nearness to another municipality.
36	G.S. 122A-16.	Oversight by committees of General Assembly;
37		annual reports.
38	G.S. 122C-112.	Powers and duties of the Secretary.
39	G.S. 122C-185.	Application of funds belonging to State facilities.
40	G.S. 131D-4.2.	Adult care homes; family care homes; annual cost
41		reports; exemptions; enforcement.
42	G.S. 131E-13.	Lease or sale of hospital facilities to or from
43		for-profit or nonprofit corporations or other business
44		entities by municipalities and hospital authorities.
45	G.S. 135-39.3.	Oversight team.
46	G.S. 138-6.	Travel allowances of State officers and employees.
47	G.S. 138-8.	Moving expenses of State employees.
48	G.S. 143-1.	Scope and definitions.
49	G.S. 143-2.	Purposes.
50	G.S. 143-3.5.	Coordination of statistics; fiscal analysis required for
51		any bill proposed by a State agency that affects the
52		budget.

1	G.S. 143-4.	(For applicability see note) Advisory Budget
2		Commission.
3	G.S. 143-6.	Information from departments and agencies asking
4		State aid.
5	G.S. 143-6.1.	Report on use of State funds by non-State entities.
6	G.S. 143-10.1A.	Same – Continuation and expansion costs.
7	G.S. 143-10.2.	Limit on number of State employees.
8	G.S. 143-10.3.	Strategic planning process.
9	G.S. 143-10.4.	Departmental operations plans.
10	G.S. 143-10.5.	Development of performance measures for major
11		programs.
12	G.S. 143-10.7.	Review of department forms and reports.
13	G.S. 143-12.1.	Vending facilities.
14	G.S. 143-15.4.	General Fund operating budget size limited.
15	G.S. 143-19.	Help for Director.
16	G.S. 143-20.1.	Annual financial statements.
17	G.S. 143-27.	Appropriations to educational, charitable and
18		correctional institutions are in addition to receipts by
19		them.
20	G.S. 143-28.1.	Highway Fund appropriation.
21	G.S. 143-31.1.	Study and review of plans and specifications for
22		building, improvement, etc., projects.
23	G.S. 143-34.2.	Information as to requests for nonstate funds for
24		projects imposing obligation on State; statement of
25		participation in contracts, etc., for nonstate funds;
26		limiting clause required in certain contracts or grants.
27	G.S. 143-34.41.	Legislative intent; purpose.
28	G.S. 143-34.43.	Capital improvement needs criteria.
29	G.S. 143-34.44.	Agency capital improvement needs estimates.
30	G.S. 143-138.	North Carolina State Building Code.
31	G.S. 143-215.94P.	Groundwater Protection Loan Fund.
32	G.S. 143-299.4.	Payment of State excess liability.
33	G.S. 143-345.24.	Incentive Bonus Review Committee.
34	G.S. 143B-133.1.	Powers of Commission.
35	G.S. 143B-336.1.	Special Zoo Fund.
36	G.S. 143B-372.3.	Staff.
37	G.S. 143B-426.39.	Powers and duties of the State Controller.
38	G.S. 146-30.	Application of net proceeds.
39	G.S. 147-33.78.	Information Resource Management Commission.
40	G.S. 147-33.87.	Financial reporting and accountability for
41		information technology investments and
42		expenditures.
43	G.S. 147-86.22.	Statewide accounts receivable program.
44	G.S. 150B-21.	Agency must designate rule-making coordinator;
45		duties of coordinator.
46	G.S. 150B-21.4.	Fiscal notes on rules.
47	G.S. 150B-21.9.	Standards and timetable for review by Commission.
48	G.S. 150B-21.28.	Role of the Office of State Budget and Management.
49	G.S. 153A-230.1.	Definitions.
50	G.S. 153A-230.2.	Creation of Satellite Jail/Work Release Unit Fund.
51	G.S. 153A-230.5.	Satellite jails/work release units built with non-State
52		funds.
53	G.S. 159I-25.	Disbursement.

1 G.S. 159I-28. Rules.
 2 G.S. 159I-29. Annual reports to Joint Legislative Commission on
 3 Governmental Operations.
 4 G.S. 160A-486. Estimates of population.
 5 G.S. 163-132.5. Cooperation of State and local agencies.

6 **SECTION 12.2.(c)** G.S. 147-33.85(b) reads as rewritten:
 7 "(b) The Office shall coordinate with the ~~Office of State Budget, Planning, and~~
 8 ~~Management~~ Office of State Budget and Management to integrate agency strategic and
 9 business planning, technology planning and budgeting, and project expenditure
 10 processes into the Office's information technology portfolio-based management. The
 11 Office shall provide recommendations for agency annual budget requests for
 12 information technology investments, projects, and initiatives to the ~~Office of State~~
 13 ~~Budget, Planning, and Management.~~ Office of State Budget and Management."
 14

15 Requested by: Senators Warren, Plyler, Odom, Lee

16 **TRANSFER THE CENTER FOR GEOGRAPHIC INFORMATION**
 17 **ANALYSIS/GEODETIC SURVEY AND THE STATEWIDE FLOODPLAIN**
 18 **MAPPING UNIT**

19 **SECTION 12.3.(a)** The Center for Geographic Information
 20 Analysis/Geodetic Survey is transferred from the Office of State Budget and
 21 Management to the Department of Environment and Natural Resources, Division of
 22 Land Resources. This transfer has all of the elements of a Type I transfer as defined in
 23 G.S. 143A-6.

24 **SECTION 12.3.(b)** The Statewide Floodplain Mapping Unit is transferred
 25 from the Office of State Budget and Management to the Department of Crime Control
 26 and Public Safety, Division of Emergency Management. This transfer has all of the
 27 elements of a Type I transfer as defined in G.S. 143A-6.
 28

29 **PART XIII. OFFICE OF STATE PERSONNEL**

30
 31 Requested by: Senators Warren, Plyler, Odom, Lee

32 **ABOLISH OFFICE OF STATE PERSONNEL PREPARE PROGRAM**

33 **SECTION 13.1.** The General Assembly encourages the Department of State
 34 Treasurer to include the model of the PREPARE program in its current delivery of
 35 retirement services. The PREPARE program in the Office of State Personnel is
 36 abolished.
 37

38 **PART XIV. GENERAL GOVERNMENT**

39
 40 Requested by: Senators Warren, Plyler, Odom, Lee

41 **USE OF INTERNET FOR AGENCY PUBLICATIONS**

42 **SECTION 14.1.(a)** Each of the State agencies listed in subsection (b) of this
 43 section shall review its printing and publication requirements and schedules and develop
 44 a plan to reduce the cost of printing, publishing, and distributing agency information
 45 and materials, including documents, reports, and other publications by using computer
 46 technology and the Internet, in particular, to distribute information and materials to the
 47 public. In developing the plan, each State agency shall review the statutory and
 48 regulatory requirements of the agency with regard to publishing and distributing
 49 information to the public and make recommendations on any statutory revisions needed
 50 to publish and distribute agency information over the Internet or by other
 51 computer-related means. Each agency shall submit a written report to the Fiscal
 52 Research Division of the General Assembly by April 1, 2002, outlining the required
 53 information and the recurring adjustments in the agency budget.

1 conveying the security interest, where the person uses State or local funds or facilities to
2 develop the intellectual property.

3 (d) The Governor shall set policies that he or she deems necessary to implement
4 the provisions of this section.

5 (e) The University of North Carolina and its constituent institutions and the
6 North Carolina Community Colleges System shall adopt and from time to time revise
7 intellectual property and inventor policies for their respective State-supported
8 institutions of higher education.

9 (f) The Department of Public Instruction shall adopt and from time to time revise
10 intellectual property and inventor guidelines applicable to local school administrative
11 units.

12 (g) The governing board of each unit of local government shall adopt and from
13 time to time revise intellectual property and inventor guidelines applicable to local
14 government employees and contractors.

15 (h) The provisions of subsections (a) and (c) of this section shall not apply to The
16 University of North Carolina and its constituent institutions, or to the North Carolina
17 Community Colleges System, or to employees of these respective institutions who are
18 subject to the intellectual property and inventor policies of the institutions employing
19 them."

20 **SECTION 15.1.(b)** G.S. 55A-13-01 reads as rewritten:

21 **"§ 55A-13-01. Prohibited distributions.**

22 (a) Except as authorized by G.S. 55A-13-02 or Article 14 of this Chapter, a
23 corporation shall not make any distributions.

24 (b) A corporation shall not:

25 (1) Make distributions to its members, directors, and officers derived from
26 royalties or gains arising from intellectual property assets developed
27 by the corporation with funding from the State or a governmental
28 subdivision.

29 (2) Transfer any asset to its members, directors, and officers derived from
30 intellectual property assets developed by the corporation with funding
31 from the State or a governmental subdivision.

32 (c) For the purposes of this section, the term "intellectual property" includes
33 copyrights, patents, and trademarks."

34 **SECTION 15.1.(c)** G.S. 55A-8-31 is amended by adding a new subsection

35 to read:

36 "(f) It shall be a conflict of interest transaction for a director of a corporation to be
37 an employee of the corporation or to receive any asset or direct financial benefit from
38 the corporation where the employment, asset, or benefit is derived from royalties, assets,
39 or gains arising from intellectual property assets developed by the corporation with
40 funding from the State or a governmental subdivision. A conflict of interest transaction
41 under this subsection shall not be authorized, approved, or ratified by the members or
42 the board of directors of the corporation, and violation of this subsection shall constitute
43 a breach of duty. For the purposes of this subsection, the term "intellectual property"
44 includes copyrights, patents, and trademarks."

45 **SECTION 15.1.(d)** G.S. 55A-8-42 is amended by adding a new subsection

46 to read:

47 "(f) It shall be a conflict of interest for an officer to be an employee of the
48 corporation or to receive any asset or direct financial benefit from the corporation where
49 the employment, asset, or benefit is derived from royalties, assets, or gains arising from
50 intellectual property assets developed by the corporation with funding from the State or
51 a governmental subdivision. A conflict of interest under this subsection shall not be
52 authorized, approved, or ratified by the members or the board of directors of the
53 corporation, and violation of this subsection shall constitute a breach of duty. For the

1 purposes of this subsection, the term "intellectual property" includes copyrights, patents,
2 and trademarks."

3 **SECTION 15.1.(e)** Chapter 55A of the General Statutes is amended by
4 adding a new Article to read:

5 "Article 18.

6 "Miscellaneous.

7 **"§ 55A-18-01. Enforcement of State remedies for certain violations.**

8 (a) It is unlawful for a corporation or its members, directors, or officers to violate
9 the provisions of G.S. 55A-8-31(f), 55A-8-42(f), or 55A-13-01(b).

10 (b) In any case in which the Attorney General has reason to believe that there has
11 been a violation of G.S. 55A-8-31(f), 55A-8-42(f), or 55A-13-01(b) by a corporation or
12 its members, directors, or officers, the Attorney General may bring a civil action on
13 behalf of the State or the corporation in Superior Court to:

14 (1) Enjoin unlawful practices.

15 (2) Recover on behalf of the State or the corporation the value of unlawful
16 distributions and the amount of salaries paid unlawfully.

17 (3) Obtain such other relief as the court may consider to be appropriate.

18 (c) Civil actions under this section shall be tried in the county where the violation
19 occurred or in any county where the defendant resides or conducts, transacts, or has
20 transacted business.

21 (d) It shall be against public policy for a corporation to indemnify any of its
22 members, directors, officers, or agents who violate G.S. 55A-8-31(f), 55A-8-42(f), or
23 55A-13-01(b).

24 (e) The liabilities of this section are in addition to any other liabilities that may
25 be imposed by law upon a corporation or its members, directors, officers, and agents for
26 unlawful distributions or other actions unlawful under this Chapter."

27 **SECTION 15.1.(f)** This section is effective when it becomes law and applies
28 to State intellectual property assets developed on or after that date.

29
30 Requested by: Senators Reeves, Plyler, Odom, Lee

31 **SECURITY STANDARDS FOR STATE INFORMATION TECHNOLOGY**

32 **SECTION 15.2.(a)** G.S. 147-33.81 reads as rewritten:

33 **"§ 147-33.81. Definitions.**

34 As used in this Article:

35 (1) "Distributed information technology assets" means hardware,
36 software, and communications equipment not classified as traditional
37 mainframe-based items, including personal computers, local area
38 networks (LANs), servers, mobile computers, peripheral equipment,
39 and other related hardware and software items.

40 (2) "Information technology" means electronic data processing goods and
41 ~~services and services,~~ telecommunications goods and services, security
42 goods and services, microprocessors, software, information
43 processing, office systems, any services related to the foregoing, and
44 consulting or other services for design or redesign of information
45 technology supporting business processes.

46 (3) "Information technology enterprise management" means a method for
47 managing distributed information technology assets from acquisition
48 through retirement so that total ownership costs (purchase, operation,
49 maintenance, disposal, etc.) are minimized while maximum benefits
50 are realized.

51 (4) "Information technology portfolio management" means a
52 business-based approach for analyzing and ranking potential
53 technology investments and selecting those investments that are the

1 most cost-effective in supporting the strategic business and program
2 objectives of the agency.

3 (5) "Office" means the Office of Information Technology Services as
4 established in this Article.

5 (6) "State agency" means any department, institution, commission,
6 committee, board, division, bureau, office, officer, or official of the
7 State. The term does not include any State entity excluded from
8 coverage under this Article by G.S. 147-33.80, unless otherwise
9 expressly provided."

10 **SECTION 15.2.(b)** G.S. 147-33.82 reads as rewritten:

11 **"§ 147-33.82. Powers and duties of the State Chief Information Officer and the**
12 **Office of Information Technology Services.**

13 (a) The Office of Information Technology Services shall:

14 (1) Procure all information technology for State agencies, as provided in
15 Part 4 of this Article.

16 (2) Submit for approval of the Information Resources Management
17 Commission all rates and fees for common, shared State
18 government-wide technology services provided by the Office.

19 (3) Submit for approval of the Information Resources Management
20 Commission recommended State government-wide, enterprise-level
21 policies for information technology.

22 (4) Develop standards, procedures, and processes to implement policies
23 approved by the Information Resources Management Commission.

24 (5) Assure that State agencies implement and manage information
25 technology portfolio-based management of State information
26 technology resources, in accordance with the direction set by the State
27 Chief Information Officer.

28 (6) Assure that State agencies implement and manage information
29 technology enterprise management efforts of State government, in
30 accordance with the direction set by the State Chief Information
31 Officer.

32 (7) Provide recommendations to the Information Resources Management
33 Commission for its biennial technology strategy and to develop State
34 government-wide technology initiatives to be approved by the
35 Information Resources Management Commission.

36 (8) Develop a project management, quality assurance, and architectural
37 review process that adheres to the Information Resources Management
38 Commission's certification program and portfolio-based management
39 initiative.

40 (9) Establish and utilize the Information Technology Management
41 Advisory Council to consist of representatives from other State
42 agencies to advise the Office on information technology business
43 management and technology matters.

44 (b) Notwithstanding any other provision of law, local governmental entities may
45 use the information technology programs, services, or contracts offered by the Office,
46 including information technology procurement, in accordance with the statutes, policies,
47 and rules of the Office. For purposes of this subsection, "local governmental entities"
48 includes local school administrative units, as defined in G.S. 115C-5, and community
49 colleges. Local governmental entities are not required to comply with otherwise
50 applicable competitive bidding requirements when using contracts established by the
51 Office. Any other State entities may also use the information technology programs,
52 services, or contracts offered by the Office, including information technology
53 procurement, in accordance with the statutes, policies, and rules of the Office.

1 (c) The State Chief Information Officer shall establish an enterprise-wide set of
2 standards for information technology security to maximize the functionality, security,
3 and interoperability of the State's distributed information technology assets, including
4 communications and encryption technologies. As part of this function, the State Chief
5 Information Officer shall review periodically existing security standards and practices in
6 place among the various State agencies to determine whether those standards and
7 practices meet enterprise-wide security and encryption requirements. The State Chief
8 Information Officer may assume the direct responsibility of providing for the
9 information technology security of any State agency that fails to adhere to security
10 standards adopted pursuant to this section. Any actions taken by the State Chief
11 Information Officer under this subsection shall be reported to the Information Resources
12 Management Commission at its next scheduled meeting.

13 (d) Notwithstanding G.S. 143-48.3 or any other provision of law, and except as
14 otherwise provided by this subsection, all information technology security purchased
15 using State funds, or for use by a State agency or in a State facility, shall be subject to
16 approval by the State Chief Information Officer in accordance with security standards
17 adopted under this section.

18 (1) If the legislative branch, the judicial branch, The University of North
19 Carolina and its constituent institutions, local school administrative
20 units as defined by G.S. 115C-5, or the North Carolina Community
21 Colleges System develop their own security standards, taking into
22 consideration the mission and functions of that entity, that are
23 comparable to or exceed those set by the State Chief Information
24 Officer under this section, then these entities may elect to be governed
25 by their own respective security standards, and approval of the State
26 Chief Information Officer shall not be required before the purchase of
27 information technology security. The State Chief Information Officer
28 shall consult with the legislative branch, the judicial branch, The
29 University of North Carolina and its constituent institutions, local
30 school administrative units, and the North Carolina Community
31 Colleges System in reviewing the security standards adopted by those
32 entities.

33 (2) If the State Chief Information Officer certifies that a State agency has
34 developed security standards that meet or exceed those set under this
35 section, then the agency may elect to be governed by its own security
36 standards, and approval of the State Chief Information Officer shall
37 not be required before the purchase of information technology
38 security. This certification by the State Chief Information Officer is
39 subject to annual renewal and may be revoked by the State Chief
40 Information Officer at any time that a State agency's standards no
41 longer exceed those set under this section.

42 (e) The State Chief Information Officer shall submit the enterprise-wide set of
43 standards for the State's information technology security to the Information Resources
44 Management Commission for approval. The Information Resources Management
45 Commission shall report approval of the standards to the Joint Legislative Commission
46 on Governmental Operations prior to implementation of the standards. The State Chief
47 Information Officer shall review and revise the standards at least annually, and the
48 revisions shall be subject to approval by the Information Resources Management
49 Commission, with the Commission reporting to the Joint Legislative Commission on
50 Governmental Operations on the revisions.

51 (f) The head of each State agency shall cooperate with the State Chief
52 Information Officer in the discharge of his or her duties by:

- 1 (1) Providing the full details of the agency's information technology and
2 operational requirements.
- 3 (2) Providing comprehensive information concerning the information
4 technology security employed to protect the agency's information
5 technology.
- 6 (3) Forecasting the parameters of the agency's projected future
7 information technology security needs and capabilities.
- 8 (4) Designating an agency liaison in the information technology area to
9 coordinate with the State Chief Information Officer.

10 The information provided by State agencies to the State Chief Information Officer under
11 this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

12 **SECTION 15.2.(c)** G.S. 147-64.6(c) is amended by adding a new
13 subdivision to read:

- 14 "(18) The Auditor shall assess, confirm, and report on the security practices
15 of information technology systems. If an agency has adopted standards
16 pursuant to G.S. 147-33.82(d)(1) or (2), the audit shall be in
17 accordance with those standards. The Auditor's assessment of
18 information security practices shall include an assessment of network
19 vulnerability. The Auditor may conduct network penetration or any
20 similar procedure as the Auditor may deem necessary. The Auditor
21 may investigate reported information technology security breaches,
22 cyber attacks, and cyber fraud in State government."

23 **SECTION 15.2.(d)** This section is effective when it becomes law.
24

25 Requested by: Senators Reeves, Plyler, Odom, Lee

26 **EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS**

27 **SECTION 15.3.(a)** G.S. 143-6 is amended by adding a new subsection to
28 read:

29 "(b2) Any department, bureau, division, officer, board, commission, institution, or
30 other State agency or undertaking desiring to request financial aid from the State for the
31 purpose of acquiring or maintaining information technology as defined by G.S. 147-
32 33.81(2) shall, before making the request for State financial aid, submit to the State
33 Chief Information Officer (CIO) a statement of its needs in terms of information
34 technology and other related requirements, and shall furnish the CIO with any
35 additional information requested by the CIO. The CIO shall then review the statement
36 of needs submitted by the requesting department, bureau, division, officer, board,
37 commission, institution, or other State agency or undertaking and perform additional
38 analysis, as necessary, to comply with G.S. 147-33.82. All requests for financial aid for
39 the purpose of acquiring or maintaining information technology shall be accompanied
40 by a certification from the CIO deeming the request for financial aid to be consistent
41 with Article 3D of Chapter 147 of the General Statutes. The CIO shall make
42 recommendations to the Governor regarding the merits of requests for financial aid for
43 the purpose of acquiring or maintaining information technology. This subsection shall
44 not apply to requests for appropriations of less than one hundred thousand dollars
45 (\$100,000)."

46 **SECTION 15.3.(b)** G.S. 143-7 reads as rewritten:

47 "**§ 143-7. Itemized statements and forms; exemptions from G.S. 147- 64.6(c)(10).**

48 (a) The statements and estimates required under G.S. 143-6 shall be itemized in
49 accordance with the budget classification adopted by the State Controller, and upon
50 forms prescribed by the Director, and shall be approved and certified by the respective
51 heads or responsible officer of each department, bureau, board, commission, institution,
52 or agency submitting same. Official estimate blanks which shall be used in making
53 these reports shall be furnished by the Director of the Budget.

1 (b) The budget classification adopted by the State Controller and the forms
2 prescribed by the Director shall include budget account codes relating specifically to
3 information technology to allow reliable and meaningful analysis of information
4 technology funding and expenditures throughout State government."
5

6 Requested by: Senators Reeves, Plyler, Odom, Lee

7 **OFFICE OF STATE CONTROLLER TO ESTABLISH ACCOUNTS FOR**
8 **COMPUTER NETWORKING/TELECOMMUNICATIONS SERVICE**
9 **BILLING FOR STATE AGENCIES**

10 **SECTION 15.4.(a)** The Office of the State Controller, the Office of State
11 Budget and Management, and the Office of Information Technology Services shall
12 adopt a common definition for computer networking costs. The definition shall include
13 a specific and detailed list of the separate components that comprise overall networking
14 costs.

15 **SECTION 15.4.(b)** The Office of the State Controller shall establish
16 separate accounts within the Statewide Chart of Accounts to capture networking costs to
17 State government. The accounts should include the hardware and software components
18 and the staffing costs for operating and maintaining the State network.

19 **SECTION 15.4.(c)** The Office of the State Controller, the Office of State
20 Budget and Management, and the Office of Information Technology Services shall
21 complete the definition by September 1, 2001. Information Technology Services shall
22 implement its billing reforms by October 1, 2001. The Office of the State Controller
23 shall establish the appropriate accounts by December 1, 2001.

24 **SECTION 15.4.(d)** The Office of Information Technology Services shall
25 accurately identify and present State agencies with detailed information on the cost of
26 ITS Services for telecommunications data and video services in a monthly bill. The bill
27 should clearly indicate the usage and the rate for the service. Where applicable, the bill
28 shall include information on hardware and software costs including maintenance and
29 support costs for those services. To the extent that ITS bills agencies for networking
30 costs, the bill shall clearly identify each element of that cost to facilitate each agency's
31 ability to properly account for networking costs.
32

33 Requested by: Senators Reeves, Plyler, Odom, Lee

34 **STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION**
35 **TECHNOLOGY**

36 **SECTION 15.5.(a)** The Office of State Personnel, the Office of Information
37 Technology Services, the Office of State Budget and Management, and the Office of the
38 State Controller shall study the issue of State-agency use of information technology
39 contractors. The study shall report on the number of contractors currently in use by
40 State agencies, the duration of the working period for individual contractors, and the
41 length of the contracts. The purpose of the contracts should be clearly identified. The
42 unit and actual costs of the contracts should be clearly identified.

43 **SECTION 15.5.(b)** The Office of the State Controller shall establish an
44 account for IT Contractual Services. The account may consist of subaccounts that
45 specify the major categories of IT consulting, i.e., LAN/WAN management, web
46 design, web hosting, applications development, applications hosting, and others.

47 **SECTION 15.5.(c)** The Office of State Personnel shall identify the results of
48 market analyses comparing State information technology workers with private sector
49 information technology workers. The Office shall review its current classification
50 scheme for IT workers to determine its adequacy for capturing the range of IT activities
51 within State government.

52 **SECTION 15.5.(d)** The study report should recommend the most
53 appropriate use of contractors (i.e., for discrete projects) and the most appropriate use of

1 permanent employee (i.e., for ongoing activities such as LAN/WAN management.) In
2 cases where the study indicates that permanent employees are best suited for a given
3 task or activity, the Office of State Personnel is directed to identify effective
4 mechanisms for recruiting and retaining employees.

5 **SECTION 15.5.(e)** By December 1, 2001, the study group shall report its
6 findings and recommendations to the Joint Legislative Commission on Governmental
7 Operations and to the Joint Select Committee on Information Technology.

8
9 Requested by: Senators Plyler, Odom, Lee

10 **E-PROCUREMENT/PROCUREMENT CARD PROGRAM**

11 **SECTION 15.6.(a)** Section 20.3 of S.L. 1998-212, Section 24 of S.L.
12 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

13 **SECTION 15.6.(b)** G.S. 143-48.3 reads as rewritten:

14 "**§ 143-48.3. Electronic procurement; procurement card program.**

15 (a) The Department of Administration and the Office of the State Controller, in
16 conjunction with the Office of Information Technology Services (ITS), the Department
17 of State Auditor, the Department of State Treasurer, the University of North Carolina
18 General Administration, the Community Colleges System Office, and the Department of
19 Public Instruction shall collaborate to develop electronic or digital procurement
20 standards.

21 (b) The Department of Administration, in conjunction with the Office of the State
22 Controller and the Office of Information Technology Services may, upon request,
23 provide to all State agencies, universities, local school administrative units, and the
24 community colleges, training in the use of the electronic procurement system.

25 (c) The Office of Information Technology Services shall act as an Application
26 Service Provider for an electronic procurement system and shall establish, manage, and
27 operate this electronic procurement system and shall establish, manage, and operate,
28 through State ownership or commercial leasing, in accordance with the requirements
29 and operating standards developed by the Department of Administration, the Office of
30 the State Controller, and ITS.

31 (d) ~~Nothing in this section modifies~~ Except as provided by subsection (e) of this
32 section, this section does not otherwise modify existing law relating to procurement
33 between The University of North Carolina, UNC Health Care, local school
34 administrative units, community colleges, and the Department of Administration. For
35 each purchase, the University of North Carolina and UNC Health Care may elect to use
36 the procurement card program and the electronic procurement service established by the
37 Department of Administration or to use an independent procurement card program and
38 electronic procurement service where cost savings and efficiencies may be achieved.

39 (e) The Department of Administration shall establish and maintain a procurement
40 card program for use by State agencies, community colleges, constituent institutions of
41 The University of North Carolina, and local school administrative units. The Secretary
42 of Administration may adopt temporary rules for the implementation and operation of
43 the program in accordance with the payment policies of the State Controller, in
44 consultation with the Office of Information Technology Services. Prior to implementing
45 the program, the Secretary shall consult with the State Controller, UNC General
46 Administration, the North Carolina Community Colleges System Office, and the
47 Department of Public Instruction. All procurement card orders that are two hundred
48 fifty dollars (\$250.00) or more, except for orders by The University of North Carolina
49 or UNC Health Care, shall be issued electronically when the statewide electronic
50 procurement service is made available, regardless of the method of payment, whether by
51 procurement card, any credit or store card, or any other payment mechanism. The
52 Secretary may periodically adjust the order limit stated above after consulting with the
53 State Controller and the Office of Information Technology Services."

1 **SECTION 15.6.(c)** This act is effective when it becomes law.
2

3 Requested by: Senators Reeves, Plyler, Odom, Lee

4 **NORTH CAROLINA INFORMATION HIGHWAY SITES**

5 **SECTION 15.7.(a)** Of the funds available in the Office of Information
6 Technology Services reserves, the sum of three million twenty-four thousand one
7 hundred eighty-five dollars (\$3,024,185) shall be used for the 2001-2002 fiscal year to
8 fund North Carolina Information Highway (NCIH) sites that received funding from the
9 ITS reserves during the 2000-2001 fiscal year.

10 **SECTION 15.7.(b)** The Joint House of Representatives and Senate
11 Appropriations Subcommittees on Education shall review the use of the North Carolina
12 Information Highway and recommend a mechanism for funding the sites beyond the
13 2001-2002 fiscal year.

14
15 Requested by: Senators Plyler, Odom, Lee

16 **REDUCTION IN EXPENDITURES BASED ON ITS RATE REDUCTIONS**

17 **SECTION 15.8.** The Office of State Budget and Management shall
18 administer reductions in the Telephone (532811), Telecommunications Data (532812),
19 and Computer Data Processing (532821) expenditure accounts in an amount equal to
20 eleven million dollars (\$11,000,000) of General Fund appropriations through the
21 allotment system established in G.S. 143-17. The reductions in expenditures shall be
22 based on a percentage reduction in the rates for telephone/telecommunications and
23 computer data processing services provided by the Office of Information Technology
24 Services. The telephone/telecommunications rate reduction shall reduce agency
25 General Fund expenditures by six million dollars (\$6,000,000). The computer data
26 processing rate reduction shall reduce agency General Fund expenditures by five
27 million dollars (\$5,000,000).

28 The Office of Information Technology Services shall have flexibility in
29 establishing the rate reductions based upon a clear showing of cost reductions achieved
30 through operational efficiencies or cost reductions achieved through less costly
31 contractual arrangements. Based upon the rate reductions established by the Office of
32 Information Technology Services, the Office of State Budget and Management shall
33 have flexibility in allocating the reduction amounts among the Telephone (532811),
34 Telecommunications Data (532812), and Computer Data Processing (532821)
35 expenditure accounts. During Fiscal Years 2001-2002 and 2002-2003 allotments to
36 each spending agency shall be reduced by a percentage of the General Fund amounts
37 appropriated to that agency for telephone/telecommunications and computer data
38 processing services.

39 The Office of Information Technology Services and the Office of State
40 Budget and Management shall coordinate the rate reductions and agency expenditure
41 accounts reductions to ensure that expenditure reductions match rate reductions. The
42 Office of Information Technology Services shall report the rate reductions to the
43 Information Resources Management Commission, the Chairs of the House of
44 Representatives and Senate Appropriations Committees, the Chairs of the Joint
45 Appropriations Subcommittee on Information Technology, and to the Fiscal Research
46 Division within 30 days of the certification of the 2001-2003 biennial budget.

47
48 **PART XVI. HOUSING FINANCE AGENCY**

49
50 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

51 **HOME PROGRAM MATCHING FUNDS**

52 **SECTION 16.1.(a)** Funds appropriated in this act to the Housing Finance
53 Agency for the federal HOME Program shall be used to match federal funds

1 appropriated for the HOME Program. In allocating State funds appropriated to match
2 federal HOME Program funds, the Agency shall give priority to HOME Program
3 projects, as follows:

- 4 (1) First priority to projects that are located in counties designated as Tier
5 One, Tier Two, or Tier Three Enterprise Counties under G.S.
6 105-129.3; and
7 (2) Second priority to projects that benefit persons and families whose
8 incomes are fifty percent (50%) or less of the median family income
9 for the local area, with adjustments for family size, according to the
10 latest figures available from the United States Department of Housing
11 and Urban Development.

12 The Housing Finance Agency shall report to the Joint Legislative
13 Commission on Governmental Operations by April 1 of each year concerning the status
14 of the HOME Program and shall include in the report information on priorities met,
15 types of activities funded, and types of activities not funded.

16 **SECTION 16.1.(b)** If the United States Congress changes the HOME
17 Program such that matching funds are not required for a given program year, then the
18 Agency shall not spend the matching funds appropriated under this act for that program
19 year.

20 **SECTION 16.1.(c)** Funds appropriated in this act to match federal HOME
21 Program funds shall not revert to the General Fund on June 30, 2002, or on June 30,
22 2003.

23
24 **PART XVII. DEPARTMENT OF AGRICULTURE AND CONSUMER**
25 **SERVICES**

26
27 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

28 **AUTHORIZE PROMOTION OF NC FARM PRODUCTS AT REST AREAS**
29 **AND WELCOME CENTERS**

30 **SECTION 17.1.** Article 6D of Chapter 136 of the General Statutes is
31 amended by adding a new section to read:

32 **"§ 136-89.59A. Promotion of North Carolina farm products at rest areas and**
33 **welcome centers.**

34 Subject to the approval of the Department, the Department of Agriculture and
35 Consumer Services may distribute promotional materials and free samples of North
36 Carolina farm products at rest areas and welcome centers located on controlled-access
37 facilities and operated by the State for the purpose of promoting North Carolina farm
38 products."

39
40
41 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

42 **TRANSFER RURAL REHABILITATION CORPORATION TO**
43 **AGRICULTURAL FINANCE AUTHORITY**

44 **SECTION 17.2.(a)** G.S. 143A-63 reads as rewritten:

45 **"§ 143A-63. North Carolina Rural Rehabilitation Corporation; transfer.**

46 The North Carolina Rural Rehabilitation Corporation, and board of directors, as
47 contained in Chapter 137 of the General Statutes and the laws of this State, is hereby
48 transferred by a ~~Type II~~ Type I transfer to the North Carolina Agricultural Finance
49 Authority in the Department of Agriculture and Consumer Services."

50 **SECTION 17.2.(b)** Article 2 of Chapter 137 of the General Statutes is
51 repealed.

52 **SECTION 17.2.(c)** No later than January 15, 2002, the North Carolina
53 Agricultural Finance Authority shall report to the Joint Legislative Commission on

1 Governmental Operations, the Appropriations Subcommittees on Natural and Economic
 2 Resources in both the Senate and the House of Representatives, and the Fiscal Research
 3 Division on the status of the transfer required under this section. This report shall
 4 include any statutory changes that are needed to implement the transfer required under
 5 this section.

6
 7 Requested by: Senators Cunningham, Martin of Pitt, Weinstein, Albertson, Plyler,
 8 Odom, Lee

9 **FARMLAND PRESERVATION FUNDS**

10 **SECTION 17.3.** The sum of two hundred fifty thousand dollars (\$250,000)
 11 appropriated in this act to the Department of Agriculture and Consumer Services for the
 12 North Carolina Farmland Preservation Trust Fund established in G.S. 106-744 shall be
 13 used to continue the purposes for which the Fund was established.

14
 15 **PART XVIII. DEPARTMENT OF LABOR**

16
 17 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee
 18 **LABOR DEPARTMENT/ ELEVATOR INSPECTION FEE RECEIPTS**

19 **SECTION 18.1.** If Senate Bill 897 or House Bill 1057 of the 2001 General
 20 Assembly becomes law, the Department of Labor shall allocate the increased elevator
 21 and amusement device inspection fee receipts to support the Elevator and Amusement
 22 Device Bureau, and the Director of the Budget shall reduce appropriations to the
 23 Department as provided in G.S. 143-25.

24
 25 **PART XIX. DEPARTMENT OF ENVIRONMENT AND NATURAL**
 26 **RESOURCES**

27
 28 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee
 29 **STATEWIDE BEAVER DAMAGE CONTROL PROGRAM FUNDS**

30 **SECTION 19.1.** Of the funds appropriated in this act to the Wildlife
 31 Resources Commission, the sum of five hundred thousand dollars (\$500,000) for the
 32 2001-2002 fiscal year and the sum of five hundred thousand dollars (\$500,000) for the
 33 2002-2003 fiscal year shall be used to provide the State share necessary to support the
 34 beaver damage control program established in G.S. 113-291.10, provided the sum of at
 35 least twenty-five thousand dollars (\$25,000) in federal funds is available each fiscal
 36 year of the biennium to provide the federal share.

37
 38 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee
 39 **GRASSROOTS SCIENCE PROGRAM**

40 **SECTION 19.2.** Of the funds appropriated in this act to the Department of
 41 Environment and Natural Resources for the Grassroots Science Program, the sum of
 42 three million four thousand five hundred twenty dollars (\$3,004,520) for fiscal year
 43 2001-2002 and the sum of three million four thousand five hundred twenty dollars
 44 (\$3,004,520) for fiscal year 2002-2003 are allocated as grants-in-aid for each fiscal year
 45 as follows:

	2001-2002	2002-2003
Aurora Fossil Museum	\$58,298	\$58,298
Cape Fear Museum	\$201,103	\$201,103
Catawba Science Center	\$161,968	\$161,968
Colburn Gem and Mineral Museum, Inc.	\$70,274	\$70,274
Discovery Place	\$667,632	\$667,632

1	Granville County Museum Commission,		
2	Inc. - Harris Gallery	\$60,978	\$60,978
3	The Health Adventure Museum of Pack		
4	Place Education, Arts and		
5	Science Center, Inc.	\$151,963	\$151,963
6	Imagination Station	\$92,584	\$92,584
7	Iredell County Children's Museum	\$57,927	\$57,927
8	Museum of Coastal Carolina	\$63,437	\$63,437
9	Natural Science Center of Greensboro	\$240,852	\$240,852
10	North Carolina Museum of Life		
11	and Science	\$426,141	\$426,141
12	Rocky Mount Children's Museum	\$86,921	\$86,921
13	Schiele Museum of Natural History	\$333,578	\$333,578
14	Sci Works Science Center and		
15	Environmental Park of Forsyth County	\$172,528	\$172,528
16	Western North Carolina Nature Center	\$158,336	\$158,336
17			
18	Total	\$3,004,520	\$3,004,520
19			

Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee
TERMS FOR MEMBERS OF THE NORTH CAROLINA PARKS AND RECREATION AUTHORITY

SECTION 19.3.(a) G.S. 143B-313.2(b) reads as rewritten:

"(b) ~~Terms. – Members shall serve two-year terms staggered terms of office of~~
~~three years. Members shall serve no more than two full two-year terms consecutive~~
~~three-year terms. After serving two consecutive three-year terms, a member is not~~
~~eligible for appointment to the Authority for at least one year after the expiration date of~~
~~that member's most recent term. Upon the expiration of a two-year three-year term, a~~
~~member may continue to serve until a successor is appointed and duly qualified as~~
~~provided by G.S. 128-7. The term of members appointed under odd numbered~~
~~subdivisions of subsection (a) of this section shall expire on 30 June of odd numbered~~
~~years. The term of members appointed under even numbered subdivisions of subsection~~
~~(a) of this section shall expire on 30 June of even numbered years. The terms of~~
~~members appointed under subdivision (1), (5), (7), or (9) of subsection (a) of this~~
~~section shall expire on July 1 of years that are evenly divisible by three. The terms of~~
~~members appointed under subdivision (2), (4), (8), or (11) of subsection (a) of this~~
~~section shall expire on July 1 of years that follow by one year those years that are~~
~~evenly divisible by three. The terms of members appointed under subdivision (3), (6), or~~
~~(10) of subsection (a) of this section shall expire on July 1 of years that precede by one~~
~~year those years that are evenly divisible by three."~~

SECTION 19.3.(b) In order to alter the length of the staggered terms from two years to three years for the North Carolina Parks and Recreation Authority and to provide for an orderly transition in membership of the Authority as specified in G.S. 143B-313.2, as amended by subsection (a) of this section, notwithstanding G.S. 143B-313.2(b), as amended by subsection (a) of this section, the following apply:

- (1) John D. Runkle shall serve in the position established by G.S. 143B-313.2(a)(1) until July 1, 2001.
- (2) Wendell Begley shall serve in the position established by G.S. 143B-313.2(a)(2) until July 1, 2002.
- (3) Jonathon B. Howes shall serve in the position established by G.S. 143B-313.2(a)(3) until July 1, 2003.
- (4) Ron Kincaid shall serve in the position established by G.S. 143B-313.2(a)(4) until July 1, 2002.

- 1 (5) Russell Robinson III shall serve in the position established by G.S.
- 2 143B-313.2(a)(5) until July 1, 2001.
- 3 (6) Roy Alexander shall serve in the position established by G.S.
- 4 143B-313.2(a)(6) until July 1, 2003.
- 5 (7) Kenneth Sadler shall serve in the position established by G.S.
- 6 143B-313.2(a)(7) until July 1, 2001.
- 7 (8) Leslie Anderson shall serve in the position established by G.S.
- 8 143B-313.2(a)(8) until July 1, 2002.
- 9 (9) Troy Boyd shall serve in the position established by G.S.
- 10 143B-313.2(a)(9) until July 1, 2001.
- 11 (10) Harriet L. Farrior shall serve in the position established by G.S.
- 12 143B-313.2(a)(10) until July 1, 2003.
- 13 (11) Eddie Holbrook shall serve in the position established by G.S.
- 14 143B-313.2(a)(11) until July 1, 2002.
- 15

16 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

17 **RECEIPTS FOR NC ZOOLOGICAL PARK ADMISSION FEE INCREASE TO**
 18 **BE USED FOR MARKETING PURPOSES**

19 **SECTION 19.4.** Subject to the approval of the Secretary of Environment
 20 and Natural Resources, up to four hundred thousand dollars (\$400,000) of the receipts
 21 from the increase in admission fees to the North Carolina Zoological Park for the
 22 2001-2002 fiscal year and up to four hundred thousand dollars (\$400,000) of those
 23 receipts for the 2002-2003 fiscal year may be used for marketing activities related to
 24 promoting the North Carolina Zoological Park.

26 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

27 **NORTH CAROLINA WATER QUALITY WORKGROUP**
 28 **INITIATIVE/RIVERNET MONITORING SYSTEM PILOT**
 29 **PROGRAM/RESEARCH FUNDS**

30 **SECTION 19.5.** Article 21 of Chapter 143 of the General Statutes is
 31 amended by adding a new section to read:

32 **"§ 143-215.8D. North Carolina Water Quality Workgroup; Rivernet.**

33 (a) The Department of Environment and Natural Resources and North Carolina
 34 State University shall jointly establish the North Carolina Water Quality Workgroup.
 35 The Workgroup shall work collaboratively with the appropriate divisions of the
 36 Department of Environment and Natural Resources and North Carolina State
 37 University, the Scientific Advisory Council on Water Resources and Coastal Fisheries
 38 Management, the Environmental Management Commission, and the Environmental
 39 Review Commission to identify the scientific and State agency databases that can be
 40 used to formulate public policy regarding the State's water quality, evaluate those
 41 databases to determine the information gaps in those databases, and establish the
 42 priorities for obtaining the information lacking in those databases. The Workgroup shall
 43 have the following duties:

- 44 (1) To address specifically the ongoing need of evaluation, synthesis, and
- 45 presentation of current scientific knowledge that can be used to
- 46 formulate public policy on water quality issues.
- 47 (2) To identify knowledge gaps in the current understanding of water
- 48 quality problems and fill these gaps with appropriate research projects.
- 49 (3) To maintain a web-based water quality data distribution site.
- 50 (4) To organize and evaluate existing scientific and State agency water
- 51 quality databases.
- 52 (5) To prioritize recognized knowledge gaps in water quality issues for
- 53 immediate funding.

1 (b) The North Carolina Water Quality Workgroup shall be composed of no more
2 than 15 members. Those members shall be jointly appointed by the Chancellor of North
3 Carolina State University and the Secretary of Environment and Natural Resources. Any
4 person appointed as a member of the Workgroup shall be knowledgeable in one of the
5 following areas:

- 6 (1) Water Quality Assessment, Water Quality Monitoring, and Water
7 Quality Permitting.
- 8 (2) Nutrient Management.
- 9 (3) Water Pollution Control.
- 10 (4) Waste Management.
- 11 (5) Groundwater Resources.
- 12 (6) Stream Hydrology.
- 13 (7) Aquatic Biology.
- 14 (8) Environmental Education and Web-Based Data Dissemination.

15 (c) North Carolina State University shall provide meeting facilities for the North
16 Carolina Water Quality Workgroup as requested by the Chair.

17 (d) The members of the North Carolina Water Quality Workgroup shall elect a
18 Chair. The Chair shall call meetings of the Workgroup and set the meeting agenda.

19 (e) The Chair of the North Carolina Water Quality Workgroup shall report each
20 year by January 30 to the Scientific Advisory Council on Water Resources and Coastal
21 Fisheries Management, to the Environmental Review Commission, to the Cochairs of
22 the House of Representatives and Senate Appropriations Subcommittees on Natural
23 and Economic Resources, and to the Chancellor of North Carolina State University or
24 the Chancellor's designee on the previous year's activities, findings, and
25 recommendations of the North Carolina Water Quality Workgroup.

26 (f) The North Carolina Water Quality Workgroup shall develop a water quality
27 monitoring system to be known as Rivernet that effectively uses the combined resources
28 of North Carolina State University and State agencies. The Rivernet system shall be
29 designed to implement advances in monitoring technology and information
30 management systems with web-based data dissemination in the waters that are impaired
31 based on the criteria of the State's basinwide water quality management plans. Water
32 quality and nutrient parameters shall be continuously monitored at each station, and the
33 data shall be sent back to a centralized computer server.

34 The Rivernet system shall be coordinated with related data collection and
35 monitoring activities of the Department of Environment and Natural Resources, the
36 Water Resources Research Institute, the North Carolina Water Quality Workgroup, and
37 other research efforts pursued by academic institutions or State government entities. If
38 the North Carolina Water Quality Workgroup chooses to employ a technology for
39 which there are testing procedure guidelines promulgated by the United States
40 Environmental Protection Agency, the American Public Health Association, the
41 American Water Works Association, or the Water Environment Federation then the
42 testing procedures shall comply with the appropriate guidelines. If the North Carolina
43 Water Quality Workgroup chooses to employ a technology for which there are no
44 testing procedure guidelines promulgated by any of the groups cited in this subsection,
45 then the North Carolina Water Quality Workgroup may establish testing procedure
46 guidelines.

47 The Rivernet system shall also have the capabilities to trigger alarms and notify the
48 appropriate member of the Workgroup when monitoring stations exceed defined limits
49 indicating a spill or a significant water quality or nutrient measurement event, which
50 then can be comprehensively analyzed."

51
52 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee
53 **CONTINUE ONE-STOP PERMIT ASSISTANCE PILOT PROGRAM**

1 **SECTION 19.6.(a)** The Department of Environment and Natural Resources
2 shall continue the one-stop environmental permit application assistance and tracking
3 system pilot project established under Section 13.7 of S.L. 2000-67 during the
4 2001-2003 fiscal biennium. It is the intent of the General Assembly that the
5 Department of Environment and Natural Resources expand this pilot program to a
6 statewide program effective in all of the Department's regional offices if the resources
7 are available to do so during the 2001-2003 fiscal biennium. The provisions of Section
8 13.7(a) through (d) of S.L. 2000-67 apply to the pilot program under this section.

9 **SECTION 19.6.(b)** The Department of Environment and Natural Resources
10 shall report to the Appropriations Subcommittees on Natural and Economic Resources
11 in both the Senate and the House of Representatives, the Fiscal Research Division, and
12 the Environmental Review Commission no later than April 1, 2002, and again no later
13 than April 1, 2003, regarding the results of the pilot project continued under this section.
14 This report shall include the number of environmental permits in the pilot project that
15 took more than 90 days to issue or deny; the types of permits those were; the reasons for
16 the extended processing time of those permits; how the time within which the permit
17 was actually issued or denied compared with the projected time frame provided to the
18 applicant by the Department; based on the data gathered in the pilot project, any
19 recommendations regarding what the permit time frames should be for all major permits
20 issued by the Department; and to what extent, if any, the program has been expanded to
21 a statewide program under this section.

22 **SECTION 19.6.(c)** The Department of Environment and Natural Resources
23 may adopt temporary rules to implement this section.
24

25 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

26 **DIVISION OF RADIATION PROTECTION SELF-SUFFICIENCY PLAN**

27 **SECTION 19.7.** The Department of Environment and Natural Resources
28 shall develop a plan to make the Division of Radiation Protection of the Department of
29 Environment and Natural Resources self-supporting within two years. The Department
30 of Environment and Natural Resources shall report the details of this plan to the
31 Appropriations Subcommittees on Natural and Economic Resources in both the Senate
32 and the House of Representatives no later than January 15, 2002.
33

34 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

35 **DENR TO STUDY FEASIBILITY OF TRANSFERRING SEDIMENTATION**
36 **PROGRAM TO LOCAL GOVERNMENTS**

37 **SECTION 19.8.** The Department of Environment and Natural Resources
38 shall study the feasibility of transferring the program within the Department of
39 Environment and Natural Resources under the Sedimentation Pollution Control Act of
40 1973, Article 4 of Chapter 113A of the General Statutes, to local governments. The
41 Department of Environment and Natural Resources shall consider the economic impact
42 that the proposed transfer would have on local governments, any savings that would be
43 generated for the State by the proposed transfer, and any statutory changes that would
44 be needed to implement such a transfer. The Department of Environment and Natural
45 Resources shall report its findings and recommendations, including legislative
46 proposals, to the Appropriations Subcommittees on Natural and Economic Resources in
47 both the Senate and the House of Representatives no later than April 1, 2002.
48

49 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

50 **SUBMERGED LANDS PROGRAM/SECRETARY DESIGNATE PROGRAM**
51 **MANAGER**

52 **SECTION 19.9.** The Secretary of Environment and Natural Resources shall
53 designate from existing staff within the Department of Environment and Natural

1 Resources a staff position to be responsible for managing the Submerged Lands
2 Program. By August 1, 2001, the Secretary shall report to both the Senate and House of
3 Representatives Cochairs of the Appropriations Subcommittees on Natural and
4 Economic Resources what position will manage the Program.

5
6 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

7 **DENR RECLASSIFICATION OF SENIOR FIELD OFFICER POSITIONS**
8 **REPORT**

9 **SECTION 19.10.** The Department of Environment and Natural Resources
10 shall report to the Senate and House of Representatives Cochairs of the full
11 Appropriations Committee, and to the Senate and House of Representatives Cochairs of
12 the Natural and Economic Resources Appropriations Subcommittees by October 1,
13 2001, on the Department's reclassification of its regional office managers as directed by
14 Section 26.12 of S.L. 1995-324. The report shall include the following: the location
15 and title of the four remaining positions, a description of the duties and responsibilities
16 assigned to each position, a description of the day-to-day activities of each of the
17 positions, an explanation of the purposes each of the positions serve, an explanation of
18 how the positions benefit the Department, and a description of the role that the positions
19 play in each of the respective communities and regions in which the positions are
20 located.

21
22 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

23 **DENR STUDY OF ENVIRONMENTAL PERMITTING PROCESS**

24 **SECTION 19.11.(a)** The Department of Environment and Natural
25 Resources shall study the permitting process in the Division of Water Quality, the
26 Division of Coastal Management as it relates to CAMA permits, and the Division of
27 Land Resources as it relates to the sedimentation and erosion control plans. The study
28 shall at a minimum include the following:

- 29 (1) A description of how the permitting process currently works.
- 30 (2) The number and types of permits issued by each of these Divisions.
- 31 (3) The time frame within which each of the types of permits is issued.
- 32 (4) The adequacy of existing staff levels to complete the issuance of
33 permits in a timely manner.
- 34 (5) Whether duplication in the permitting process exists between the
35 regional office and the central office staff.
- 36 (6) Efficiencies to be gained from delegation of authority to regional
37 offices.
- 38 (7) Efficiencies to be gained from issuing more general permits.
- 39 (8) The amount of revenue generated by the permits and retained as
40 departmental receipts.
- 41 (9) Any other information or issue deemed relevant by the Fiscal Research
42 Division to provide an accurate analysis of the issues.

43 **SECTION 19.11.(b)** In conducting this study, the Department shall record
44 its tracking of the permits and the statistical data regarding those permits in a format
45 that is easily accessible and usable for fiscal analysis by the Fiscal Research Division.

46 **SECTION 19.11.(c)** The Department shall make a report with its findings
47 and recommendations to the Senate and House of Representatives Cochairs of the full
48 Appropriations Committee and to the Senate and House of Representatives Cochairs of
49 the Natural and Economic Resources Appropriations Subcommittees, on ways to
50 improve, expedite, or simplify the permitting process no later than March 10, 2002.

51
52 **PART XX. DEPARTMENT OF COMMERCE**
53

1 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

2 **TOURISM PROMOTION FUNDS**

3 **SECTION 20.1.** Funds appropriated in this act to the Department of
4 Commerce for tourism promotion grants shall be allocated according to per capita
5 income, unemployment, and population growth in an effort to direct funds to counties
6 most in need in terms of lowest per capita income, highest unemployment, and slowest
7 population growth, in the following manner:

- 8 (1) Counties 1 through 20 are each eligible to receive a maximum grant of
9 seven thousand five hundred dollars (\$7,500) for each fiscal year,
10 provided these funds are matched on the basis of one non-State dollar
11 for every four State dollars.
12 (2) Counties 21 through 50 are each eligible to receive a maximum grant
13 of three thousand five hundred dollars (\$3,500) for two of the next
14 three fiscal years, provided these funds are matched on the basis of one
15 non-State dollar for every three State dollars.
16 (3) Counties 51 through 100 are each eligible to receive a maximum grant
17 of three thousand five hundred dollars (\$3,500) for alternating fiscal
18 years, beginning with the 1991-92 fiscal year, provided these funds are
19 matched on the basis of four non-State dollars for every State dollar.
20

21 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

22 **WANCHESE SEAFOOD INDUSTRIAL PARK FUNDS/OREGON INLET**
23 **FUNDS**

24 **SECTION 20.2.(a)** Of the funds appropriated in this act to the Department
25 of Commerce for the Wanchese Seafood Industrial Park, the sum of one hundred
26 twenty-seven thousand eight hundred seventy dollars (\$127,870) for the 2001-2002
27 fiscal year and the sum of one hundred twenty-seven thousand eight hundred seventy
28 dollars (\$127,870) for the 2002-2003 fiscal year may be expended by the North
29 Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and
30 capital improvements in accordance with Article 23C of Chapter 113 of the General
31 Statutes, in addition to funds available to the Authority for these purposes.

32 **SECTION 20.2.(b)** Funds appropriated to the Department of Commerce for
33 the 2000-2001 fiscal year for the Oregon Inlet Project that are unexpended and
34 unencumbered as of June 30, 2001, shall not revert to the General Fund on June 30,
35 2001, but shall remain available to the Department for legal costs associated with the
36 Project. This subsection becomes effective June 30, 2001.
37

38 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

39 **INDUSTRIAL RECRUITMENT COMPETITIVE FUND**

40 **SECTION 20.3.(a)** Funds appropriated in this act to the Department of
41 Commerce for the Industrial Recruitment Competitive Fund shall be used to continue
42 the Fund. The purpose of the Fund is to provide financial assistance to those businesses
43 or industries deemed by the Governor to be vital to a healthy and growing State
44 economy and that are making significant efforts to establish or expand in North
45 Carolina. Moneys allocated from the Fund shall be used for the following purposes:

- 46 (1) Installation or purchase of equipment;
47 (2) Structural repairs, improvements, or renovations of existing buildings
48 to be used for expansion; and
49 (3) Construction of or improvements to new or existing water, sewer, gas
50 or electric utility distribution lines, or equipment for existing
51 buildings.

52 Moneys may also be used for construction of or improvements to new or
53 existing water, sewer, gas or electric utility distribution lines, or equipment to serve new

1 or proposed industrial buildings used for manufacturing and industrial operations. The
2 Governor shall adopt guidelines and procedures for the commitment of moneys from the
3 Fund.

4 **SECTION 20.3.(b)** The Department of Commerce shall report on or before
5 October 1, 2001, and quarterly thereafter to the Joint Legislative Commission on
6 Governmental Operations and to the Fiscal Research Division on the commitment,
7 allocation, and use of funds allocated from the Industrial Recruitment Competitive
8 Fund.

9
10 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

11 **ABOLISH CENTER FOR ENTREPRENEURSHIP AND TECHNOLOGY**

12 **SECTION 20.4.(a)** Effective July 1, 2001, the Center for Entrepreneurship
13 and Technology (hereinafter Center) in the Department of Commerce (hereinafter
14 Department) is abolished.

15 **SECTION 20.4.(b)** The Department shall not carryforward any
16 unencumbered State funds for the Center to the 2001-2002 fiscal year. This subsection
17 becomes effective June 30, 2001.

18
19 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

20 **COMMERCE STUDY/ CONSOLIDATE BUSINESS AND INDUSTRY**
21 **DIVISION REGIONAL OFFICES AND REGIONAL ECONOMIC**
22 **DEVELOPMENT COMMISSIONS**

23 **SECTION 20.5.** The Department of Commerce (hereinafter Department)
24 shall study the feasibility of consolidating each of the Business and Industry Division
25 regional offices (hereinafter B&I) with a Regional Economic Development Commission
26 (hereinafter Commission) office. In considering whether consolidation is feasible and
27 would better advance the goals of both the B&I and the Commissions, the Department
28 shall do at least the following:

- 29 (1) Evaluate the degree to which existing shared offices in Asheville,
30 Edenton, Greensboro, and Research Triangle Park differ in
31 organization, budget, and performance from the B&I offices in
32 Charlotte, Greenville, and Fayetteville that do not share office space
33 with Commissions.
- 34 (2) Evaluate the extent to which B&I staff responsibilities in each B&I
35 office duplicate those performed by the Commission staff in their
36 region regardless of whether the offices are shared or separate.
- 37 (3) Evaluate the extent to which existing B&I offices in Lenoir and
38 Bryson City add value cost-effectively to the service provided by the
39 Asheville office. In particular, the Department shall consider how the
40 same level of service might be provided if the Lenoir and Bryson City
41 offices were eliminated or merged into the Asheville office.
- 42 (4) Estimate any costs that would result from closing B&I offices in
43 Charlotte, Greenville, and Fayetteville and consolidating them with
44 Commissions in Charlotte, Kinston, and Elizabethtown, respectively.
45 The Department shall also estimate any costs that would result from
46 closing B&I offices in Lenoir and Bryson City and consolidating them
47 with the Asheville office.
- 48 (5) Identify whether the actions described in subdivision (4) of this section
49 would produce any net savings and, if affirmative, identify the sources
50 of the savings. The Department shall document whether all current
51 B&I regional staff would remain essential to program function if the
52 closings and consolidations described in subdivision (4) of this section
53 were carried out.

1 The Department shall report its findings and recommendations, including any
2 estimates of efficiencies and cost savings that may be produced by consolidating the
3 Charlotte, Greenville, and Fayetteville B&I regional offices with Commissions and
4 consolidating the Lenoir and Bryson City offices with the existing shared office in
5 Asheville, to the House of Representatives and Senate Appropriations Subcommittees
6 on Natural and Economic Resources by January 15, 2002.

7
8 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

9 **WORKER TRAINING TRUST FUND APPROPRIATIONS**

10 **SECTION 20.6.(a)** There is appropriated from the Worker Training Trust
11 Fund to the Department of Commerce the sum of five million nine hundred thirty
12 thousand sixteen dollars (\$5,930,016) for the 2001-2002 fiscal year for the operation of
13 local Employment Services and Workforce Development offices.

14 **SECTION 20.6.(b)** Notwithstanding the provisions of G.S. 96-5(f), there is
15 appropriated from the Worker Training Trust Fund to the following agencies the
16 following sums for the 2001-2002 fiscal year for the following purposes:

- 17 (1) Two million one hundred sixty-six thousand forty-seven dollars
18 (\$2,166,047) for the 2001-2002 fiscal year to the North Carolina
19 Community Colleges System Office for its New and Expanded
20 Industry Training Program;
- 21 (2) Nine hundred forty-one thousand seven hundred sixty dollars
22 (\$941,760) for the 2001-2002 fiscal year to the North Carolina
23 Community Colleges System Office for customized training of the
24 unemployed and the working poor for specific jobs needed by
25 employers through the Office's Bureau for Training Initiatives;
- 26 (3) One million six hundred forty-four thousand three hundred twelve
27 dollars (\$1,644,312) for the 2001-2002 fiscal year to the North
28 Carolina Community Colleges System Office to continue the Focused
29 Industrial Training Program;
- 30 (4) Two hundred eleven thousand eight hundred ninety-six dollars
31 (\$211,896) for the 2001-2002 fiscal year to the Department of
32 Commerce for the State Occupational Information Coordinating
33 Committee to develop and operate an interagency system to track
34 former participants in State education and training programs;
- 35 (5) Three hundred seventy-six thousand seven hundred four dollars
36 (\$376,704) for the 2001-2002 fiscal year to the North Carolina
37 Community Colleges System Office for a training program in
38 entrepreneurial skills to be operated by North Carolina REAL
39 Enterprises;
- 40 (6) Fifty-six thousand five hundred six dollars (\$56,506) for the
41 2001-2002 fiscal year to the Department of Commerce to maintain
42 compliance with Chapter 96 of the General Statutes, which directs the
43 Department of Commerce to employ the Common Follow-Up
44 Management Information System to evaluate the effectiveness of the
45 State's job training, education, and placement programs; and
- 46 (7) Nine hundred forty-one thousand seven hundred sixty dollars
47 (\$941,760) for the 2001-2002 fiscal year to the Department of Labor to
48 continue the Apprenticeship Program.

49
50 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

51 **BIOTECHNOLOGY CENTER**

1 **SECTION 20.7.(a)** The North Carolina Biotechnology Center shall
2 recapture funds spent in support of successful research and development efforts in the
3 for-profit private sector.

4 **SECTION 20.7.(b)** The North Carolina Biotechnology Center shall provide
5 funding for biotechnology, biomedical, and related bioscience applications under its
6 Business and Science Technology Programs.

7 **SECTION 20.7.(c)** The North Carolina Biotechnology Center shall:

8 (1) By January 15, 2002, and more frequently as requested, report to the
9 Joint Legislative Commission on Governmental Operations and the
10 Fiscal Research Division the following information:

11 a. State fiscal year 2000-2001 program activities, objectives, and
12 accomplishments;

13 b. State fiscal year 2000-2001 itemized expenditures and fund
14 sources;

15 c. State fiscal year 2001-2002 planned activities, objectives, and
16 accomplishments including actual results through December 31,
17 2001; and

18 d. State fiscal year 2001-2002 estimated itemized expenditures
19 and fund sources including actual expenditures and fund
20 sources through December 31, 2001;

21 (2) By January 15, 2003, and more frequently as requested, report to the
22 Joint Legislative Commission on Governmental Operations and the
23 Fiscal Research Division the following information:

24 a. State fiscal year 2001-2002 program activities, objectives, and
25 accomplishments;

26 b. State fiscal year 2001-2002 itemized expenditures and fund
27 sources;

28 c. State fiscal year 2002-2003 planned activities, objectives, and
29 accomplishments including actual results through December 31,
30 2002; and

31 d. State fiscal year 2002-2003 estimated itemized expenditures
32 and fund sources including actual expenditures and fund
33 sources through December 31, 2002; and

34 (3) Provide to the Fiscal Research Division a copy of the organization's
35 annual audited financial statement within 30 days of issuance of the
36 statement.

37 **SECTION 20.7.(d)** The North Carolina Biotechnology Center shall provide
38 a report containing detailed budget, personnel, and salary information to the Office of
39 State Budget and Management and to the Fiscal Research Division in the same manner
40 as State departments and agencies in preparation for biennium budget requests.

41 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

42 **BIOTECHNOLOGY CENTER/TECHNOLOGICAL DEVELOPMENT**
43 **AUTHORITY, INC., PROFIT SHARING WITH STATE**

44 **SECTION 20.8.(a)** Prior to receiving any General Fund disbursements for
45 the 2001-2003 biennium, the North Carolina Biotechnology Center (hereinafter Center)
46 and the North Carolina Technological Development Authority, Inc., (hereinafter
47 Authority) must each enter into a memorandum of understanding with the Attorney
48 General's Office in which they commit to do all of the following:

49 (1) Work with the Attorney General's Office to craft a legal agreement
50 that specifies the manner in which any profits from investments made
51 with State funds shall be shared with the State.

52 (2) Negotiate the terms of the legal agreement in good faith.
53

1 (3) Submit the proposed legal agreement to the Joint Legislative
2 Commission on Governmental Operations for review by January 15,
3 2002.

4 (4) Execute the legal agreement no later than 30 days after it is presented
5 to the Joint Legislative Commission on Governmental Operations.

6 **SECTION 20.8.(b)** The Attorney General's Office shall consult with the
7 Fiscal Research Division in crafting the memorandum of understanding and the legal
8 agreement described in subsection (a) of this section.

9 **SECTION 20.8.(c)** The Center and the Authority shall submit a copy of the
10 memorandum of understanding to the Fiscal Research Division prior to receiving any
11 General Fund disbursements for the 2001-2003 biennium and shall submit a copy of the
12 proposed legal agreement to the Division by January 15, 2002.
13

14 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

15 **NORTH CAROLINA TECHNOLOGICAL DEVELOPMENT AUTHORITY,**
16 **INC., REPORTING REQUIREMENTS**

17 **SECTION 20.9.** The North Carolina Technological Development Authority,
18 Inc., (TDA) shall do the following:

19 (1) By January 15, 2002, and more frequently as requested, report to the
20 Joint Legislative Commission on Governmental Operations and the
21 Fiscal Research Division the following information:

22 a. State fiscal year 2001-2002 program activities, objectives, and
23 accomplishments;

24 b. State fiscal year 2001-2002 itemized expenditures and fund
25 sources;

26 c. State fiscal year 2002-2003 planned activities, objectives, and
27 accomplishments including actual results through December 31,
28 2001; and

29 d. State fiscal year 2002-2003 estimated itemized expenditures
30 and fund sources including actual expenditures and fund
31 sources through December 31, 2001.

32 (2) Provide to the Fiscal Research Division a copy of the organization's
33 annual audited financial statement within 30 days of issuance of the
34 statement.

35 (3) Fourth quarter allotments shall not be released to TDA until it satisfies
36 the reporting requirements for January 15, 2002.
37

38 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

39 **REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS**

40 **SECTION 20.10.(a)** Funds appropriated in this act to the Department of
41 Commerce for regional economic development commissions shall be allocated to the
42 following commissions in accordance with subsection (b) of this section: Western North
43 Carolina Regional Economic Development Commission, Research Triangle Regional
44 Commission, Southeastern North Carolina Regional Economic Development
45 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
46 Economic Development Commission, Global TransPark Development Commission,
47 and Carolinas Partnership, Inc.

48 **SECTION 20.10.(b)** Funds appropriated pursuant to subsection (a) of this
49 section shall be allocated to each regional economic development commission as
50 follows:

51 (1) First, the Department shall establish each commission's allocation by
52 determining the sum of allocations to each county that is a member of
53 that commission. Each county's allocation shall be determined by

1 dividing the county's enterprise factor by the sum of the enterprise
 2 factors for eligible counties and multiplying the resulting percentage
 3 by the amount of the appropriation. As used in this subdivision, the
 4 term "enterprise factor" means a county's enterprise factor as
 5 calculated under G.S. 105-129.3;

6 (2) Next, the Department shall subtract from funds allocated to the Global
 7 TransPark Development Zone the sum of two hundred four thousand
 8 four hundred thirty-three dollars (\$204,433) in each fiscal year, which
 9 sum represents the interest earnings in each fiscal year on the
 10 estimated balance of seven million five hundred thousand dollars
 11 (\$7,500,000) appropriated to the Global TransPark Development Zone
 12 in Section 6 of Chapter 561 of the 1993 Session Laws; and

13 (3) Next, the Department shall redistribute the sum of two hundred four
 14 thousand four hundred thirty-three dollars (\$204,433) in each fiscal
 15 year to the seven regional economic development commissions named
 16 in subsection (a) of this section. Each commission's share of this
 17 redistribution shall be determined according to the enterprise factor
 18 formula set out in subdivision (1) of this subsection. This
 19 redistribution shall be in addition to each commission's allocation
 20 determined under subdivision (1) of this subsection.
 21

22 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

23 **REGIONAL COMMISSION REPORTS**

24 **SECTION 20.11.(a)** Each regional economic development commission
 25 receiving a grant-in-aid from the Department of Commerce shall:

26 (1) By January 15, 2002, and more frequently as requested, report to the
 27 Joint Legislative Commission on Governmental Operations, the Fiscal
 28 Research Division, and the Department of Commerce the following
 29 information:

- 30 a. State fiscal year 2000-2001 program activities, objectives, and
 31 accomplishments;
- 32 b. State fiscal year 2000-2001 itemized expenditures and fund
 33 sources;
- 34 c. State fiscal year 2001-2002 planned activities, objectives, and
 35 accomplishments as specified in subdivisions (b)(1) through
 36 (b)(6) of this section including actual results through December
 37 31, 2001;
- 38 d. State fiscal year 2001-2002 estimated itemized expenditures
 39 and fund sources including actual expenditures and fund
 40 sources through December 31, 2001.

41 (2) By January 15, 2003, and more frequently as requested, report to the
 42 Joint Legislative Commission on Governmental Operations, the Fiscal
 43 Research Division, and the Department of Commerce the following
 44 information:

- 45 a. State fiscal year 2001-2002 program activities, objectives, and
 46 accomplishments;
- 47 b. State fiscal year 2001-2002 itemized expenditures and fund
 48 sources;
- 49 c. State fiscal year 2002-2003 planned activities, objectives, and
 50 accomplishments as specified in subdivisions (b)(1) through
 51 (b)(6) of this section including actual results through December
 52 31, 2002;

1 d. State fiscal year 2002-2003 estimated itemized expenditures
2 and fund sources including actual expenditures and fund
3 sources through December 31, 2002.

- 4 (3) Provide to the Fiscal Research Division and the Department of
5 Commerce a copy of its annual audited financial statement within 30
6 days of issuance of the statement.

7 **SECTION 20.11.(b)** Each regional economic development commission
8 receiving a grant-in-aid from the Department of Commerce in each fiscal year of the
9 2001-2003 biennium shall by January 15 of each fiscal year report to the Department of
10 Commerce the following information for the most recently completed fiscal year:

- 11 (1) The number of and description of marketing outreach events including
12 trade shows, recruitment missions, and related activities;
13 (2) The number of jobs saved;
14 (3) The amount of investment and number of jobs created by the direct
15 efforts of a commission;
16 (4) Initiatives undertaken to establish certified sites and shell buildings;
17 (5) The number of referrals or leads handled that were generated by the
18 Department of Commerce;
19 (6) The number and listing of available sites and buildings within the
20 region served by a commission;
21 (7) A listing of major accomplishments.

22
23 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

24 **COUNCIL OF GOVERNMENT FUNDS**

25 **SECTION 20.12.(a)** Of the funds appropriated in this act to the Department
26 of Commerce, nine hundred thirty-five thousand dollars (\$935,000) for the 2001-2002
27 fiscal year and nine hundred thirty-five thousand dollars (\$935,000) for the 2002-2003
28 fiscal year shall only be used as provided by this section. Each regional council of
29 government or lead regional organization is allocated up to fifty-five thousand dollars
30 (\$55,000) for each fiscal year, with the actual amount calculated as provided in
31 subsection (b) of this section.

32 **SECTION 20.12.(b)** The funds shall be allocated as follows: A share of the
33 maximum fifty-five thousand dollars (\$55,000) each fiscal year shall be allocated to
34 each county and smaller city, based on the most recent annual estimate of the Office of
35 State Planning of the population of that county (less the population of any larger city
36 within that county) or smaller city, divided by the sum of the total population of the
37 region (less the population of larger cities within that region) and the total population of
38 the region living in smaller cities. Those funds shall be paid to the regional council of
39 government for the region in which that city or county is located upon receipt by the
40 Department of Commerce of a resolution of the governing board of the county or city
41 requesting release of the funds. If any city or county does not so request payment of
42 funds by June 30 of a State fiscal year, that share of the allocation for that fiscal year
43 shall revert to the General Fund.

44 **SECTION 20.12.(c)** A regional council of government may use funds
45 appropriated by this section only to assist local governments in grant applications,
46 economic development, community development, support of local industrial
47 development activities, and other activities as deemed appropriate by the member
48 governments.

49 **SECTION 20.12.(d)** Funds appropriated by this section shall not be used for
50 payment of dues or assessments by the member governments and shall not supplant
51 funds appropriated by the member governments.

1 **SECTION 20.12.(e)** As used in this section, "Larger City" means an
 2 incorporated city with a population of 50,000 or over. "Smaller City" means any other
 3 incorporated city.

4 **SECTION 20.12.(f)** Each council of government or lead regional
 5 organization shall do the following:

- 6 (1) By January 15, 2002, and more frequently as requested, report to the
 7 Joint Legislative Commission on Governmental Operations and the
 8 Fiscal Research Division the following information:
 9 a. State fiscal year 2000-2001 program activities, objectives, and
 10 accomplishments;
 11 b. State fiscal year 2000-2001 itemized expenditures and fund
 12 sources;
 13 c. State fiscal year 2001-2002 planned activities, objectives, and
 14 accomplishments, including actual results through December
 15 31, 2001; and
 16 d. State fiscal year 2001-2002 estimated itemized expenditures
 17 and fund sources, including actual expenditures and fund
 18 sources through December 31, 2001;
 19 (2) By January 15, 2003, and more frequently as requested, report to the
 20 Joint Legislative Commission on Governmental Operations and the
 21 Fiscal Research Division the following information:
 22 a. State fiscal year 2001-2002 program activities, objectives, and
 23 accomplishments;
 24 b. State fiscal year 2001-2002 itemized expenditures and fund
 25 sources;
 26 c. State fiscal year 2002-2003 planned activities, objectives, and
 27 accomplishments, including actual results through December
 28 31, 2002; and
 29 d. State fiscal year 2002-2003 estimated itemized expenditures
 30 and fund sources, including actual expenditures and fund
 31 sources through December 31, 2002; and
 32 (3) Provide to the Fiscal Research Division a copy of the organization's
 33 annual audited financial statement within 30 days of issuance of the
 34 statement.

35
 36 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee, Kerr,
 37 Warren

38 **GLOBAL TRANSPARK DEVELOPMENT COMMISSION MEMBERSHIP**
 39 **CHANGES**

40 **SECTION 20.13.(a)** G.S. 158-35(a) reads as rewritten:

41 "(a) Commission Membership. – The governing body of the Zone is the Global
 42 TransPark Development Commission. The members of the Commission must be
 43 residents of the Zone and shall be appointed as follows:

- 44 (1) The board of commissioners of each county participating in the Zone
 45 shall appoint three voting members, one of whom shall be a minority
 46 person as defined in G.S. 143-128(f)(2) and one of whom may be a
 47 member of the board of commissioners.
 48 (2) The ~~Authority-Commission~~ shall appoint at least three but no more
 49 than seven voting members. By the appointment of these members, the
 50 ~~Authority-Commission~~ shall ensure that the voting membership of the
 51 Commission includes at least seven women and seven members of a
 52 racial minority described in G.S. 143-128(f)(2). The ~~Authority~~

1 Commission shall appoint the fewest number of members necessary to
2 achieve these minimums.

3 (3) Four nonvoting members shall be appointed as follows:

- 4 a. One appointed by the Chancellor of East Carolina University to
5 represent the University.
6 b. One appointed by a majority vote of the presidents of the
7 community colleges located in the Zone, to represent the
8 community colleges.
9 c. One appointed by the chair of the State Ports Authority, to
10 represent the sea ports of the State.
11 d. One member of the board of directors of the Global TransPark
12 Foundation, Inc., appointed by that board."

13 **SECTION 20.13.(b)** G.S. 158-35(c) reads as rewritten:

14 "(c) Removal; Vacancies. – A member of the Commission may be removed with
15 or without cause by the appointing body. In addition, a majority of the Commission
16 members may, by majority vote, remove a member of the Commission if that member
17 does not attend at least three-quarters of the regularly scheduled meetings of the
18 Commission during any consecutive 12-month period of service of that member on the
19 Commission, except that absences excused by the Commission due to serious medical
20 or family circumstances shall not be considered. If the Commission votes to remove a
21 member under this subsection, the vacancy shall be filled in the same manner as the
22 original appointment. Appointments to fill vacancies shall be made for the remainder of
23 the unexpired term by the respective appointing authority. All members shall serve until
24 their successors are appointed and qualified, unless removed from office."
25

26 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

27 **NONPROFIT REPORTING REQUIREMENTS**

28 **SECTION 20.14.(a)** The N.C. Institute for Minority Economic
29 Development, Inc., Land Loss Prevention Project, North Carolina Coalition of Farm and
30 Rural Families, Inc., North Carolina Minority Support Center, North Carolina
31 Community Development Initiative, Inc., North Carolina Association of Community
32 Development Corporations, Inc., Partnership for the Sounds, Inc., and North Carolina
33 REAL Enterprises shall do the following:

- 34 (1) By January 15, 2002, and more frequently as requested, report to the
35 Joint Legislative Commission on Governmental Operations and the
36 Fiscal Research Division the following information:
37 a. State fiscal year 2000-2001 program activities, objectives, and
38 accomplishments;
39 b. State fiscal year 2000-2001 itemized expenditures and fund
40 sources;
41 c. State fiscal year 2001-2002 planned activities, objectives, and
42 accomplishments including actual results through December 31,
43 2001; and
44 d. State fiscal year 2001-2002 estimated itemized expenditures
45 and fund sources including actual expenditures and fund
46 sources through December 31, 2001;
47 (2) By January 15, 2003, and more frequently as requested, report to the
48 Joint Legislative Commission on Governmental Operations and the
49 Fiscal Research Division the following information:
50 a. State fiscal year 2001-2002 program activities, objectives, and
51 accomplishments;
52 b. State fiscal year 2001-2002 itemized expenditures and fund
53 sources;

- 1 c. State fiscal year 2002-2003 planned activities, objectives, and
- 2 accomplishments including actual results through December 31,
- 3 2002; and
- 4 d. State fiscal year 2002-2003 estimated itemized expenditures
- 5 and fund sources including actual expenditures and fund
- 6 sources through December 31, 2002; and
- 7 (3) Provide to the Fiscal Research Division a copy of the organization's
- 8 annual audited financial statement within 30 days of issuance of the
- 9 statement.

10 **SECTION 20.14.(b)** No funds appropriated under this act shall be released
 11 to a nonprofit organization listed in subsection (a) of this section until the organization
 12 has satisfied the reporting requirement for January 15, 2001. Fourth quarter allotments
 13 shall not be released to any nonprofit organization that does not satisfy the reporting
 14 requirements for January 15, 2002, or January 15, 2003.

15 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

16 **RURAL ECONOMIC DEVELOPMENT CENTER**

17 **SECTION 20.15.(a)** Of the funds appropriated in this act to the Rural
 18 Economic Development Center, Inc., the sum of one million eight hundred eighteen
 19 thousand four hundred seventy-one dollars (\$1,818,471) for the 2001-2002 fiscal year
 20 and the sum of one million eight hundred eighteen thousand four hundred seventy-one
 21 dollars (\$1,818,471) for the 2002-2003 fiscal year shall be allocated as follows:

	2001-2002 FY	2002-2003 FY
22		
23		
24		
25	\$444,000	\$444,000
26		
27		
28	444,471	444,471
29		
30	455,000	455,000
31		
32		
33	199,722	199,722
34		
35	138,278	138,278
36		
37	137,000	137,000.

38 **SECTION 20.15.(b)** The Rural Economic Development Center, Inc., shall
 39 provide a report containing detailed budget, personnel, and salary information to the
 40 Office of State Budget and Management in the same manner as State departments and
 41 agencies in preparation for biennium budget requests.

42 **SECTION 20.15.(c)** Not more than fifty percent (50%) of the interest earned
 43 on State funds appropriated to the Rural Economic Development Center, Inc., may be
 44 used by the Center for administrative purposes, including salaries and fringe benefits.

45 **SECTION 20.15.(d)** For purposes of this section, the term "community
 46 development corporation" means a nonprofit corporation:

- 47 (1) Chartered pursuant to Chapter 55A of the General Statutes;
- 48 (2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue
- 49 Code of 1986;
- 50 (3) Whose primary mission is to develop and improve low-income
- 51 communities and neighborhoods through economic and related
- 52 development;

- 1 (4) Whose activities and decisions are initiated, managed, and controlled
2 by the constituents of those local communities; and
3 (5) Whose primary function is to act as deal-maker and packager of
4 projects and activities that will increase their constituencies'
5 opportunities to become owners, managers, and producers of small
6 businesses, affordable housing, and jobs designed to produce positive
7 cash flow and curb blight in the targeted community.

8 **SECTION 20.15.(e)** Of the funds appropriated in this act to the Rural
9 Economic Development Center, Inc., the sum of three million two hundred fifty-two
10 thousand dollars (\$3,252,000) for the 2001-2002 fiscal year and the sum of three million
11 two hundred fifty-two thousand dollars (\$3,252,000) for the 2002-2003 fiscal year shall
12 be allocated as follows:

- 13 (1) \$1,124,000 in each fiscal year for community development grants to
14 support development projects and activities within the State's minority
15 communities. Any community development corporation as defined in
16 this section is eligible to apply for funds. The Rural Economic
17 Development Center, Inc., shall establish performance-based criteria
18 for determining which community development corporation will
19 receive a grant and the grant amount. The Rural Economic
20 Development Center, Inc., shall allocate these funds as follows:
21 a. \$837,720 in each fiscal year for direct grants to the local
22 community development corporations that have previously
23 received State funds for this purpose to support operations and
24 project activities;
25 b. \$236,280 in each fiscal year for direct grants to local
26 community development corporations that have not previously
27 received State funds; and
28 c. \$50,000 in each fiscal year to the Rural Economic Development
29 Center, Inc., to be used to cover expenses in administering this
30 section.
31 (2) \$234,000 in each fiscal year to the Microenterprise Loan Program to
32 support the loan fund and operations of the Program; and
33 (3) \$1,644,000 in each fiscal year shall be used for a program to provide
34 supplemental funding for matching requirements for projects and
35 activities authorized under this subdivision. The Center shall allocate
36 these funds as follows:
37 a. \$1,244,000 in each fiscal year to make grants to local
38 governments and nonprofit corporations to provide funds
39 necessary to match federal grants or other grants for:
40 1. Necessary economic development projects and activities
41 in economically distressed areas;
42 2. Necessary water and sewer projects and activities in
43 economically distressed communities to address health
44 or environmental quality problems except that funds
45 shall not be expended for the repair or replacement of
46 low-pressure pipe wastewater systems. If a grant is
47 awarded under this sub-subdivision, then the grant shall
48 be matched on a dollar- for-dollar basis in the amount of
49 the grant awarded; or
50 3. Projects that demonstrate alternative water and waste
51 management processes for local governments. Special
52 consideration should be given to cost-effectiveness,

- 1 efficacy, management efficiency, and the ability of the
2 demonstration project to be replicated.
- 3 b. \$400,000 in each fiscal year to make grants to local
4 governments and nonprofit corporations to provide funds
5 necessary to match federal grants or other grants related to
6 water, sewer, or business development projects.
- 7 (4) \$250,000 in each fiscal year for the Agricultural Advancement
8 Consortium. These funds shall be placed in a reserve and allocated as
9 follows:
- 10 a. \$75,000 in each fiscal year for operating expenses associated
11 with the Consortium; and
- 12 b. \$175,000 in each fiscal year for research initiatives funded by
13 the Consortium.

14 The Consortium shall facilitate discussions among interested parties
15 and shall develop recommendations to improve the State's economic
16 development through farming and agricultural interests.

17 The grant recipients in this subsection shall be selected on the basis of need.

18 **SECTION 20.15.(f)** For the 2001-2002 fiscal year only, the Office of State
19 Budget and Management shall reduce the funds appropriated in this act to the Rural
20 Economic Development Center, Inc., by an amount of nine hundred ninety-nine
21 thousand six hundred ninety-four dollars (\$999,694). The Center shall compensate for
22 this reduction by using available cash balances from the Child Care Loan Fund in the
23 amount of four hundred ninety-nine thousand six hundred ninety-four dollars
24 (\$499,694) and the amount of five hundred thousand dollars (\$500,000) from other cash
25 reserves on hand.

26 **SECTION 20.15.(g)** The Rural Economic Development Center, Inc., shall:

- 27 (1) By January 15, 2002, and more frequently as requested, report to the
28 Joint Legislative Commission on Governmental Operations and the
29 Fiscal Research Division the following information:
- 30 a. State fiscal year 2000-2001 program activities, objectives, and
31 accomplishments;
- 32 b. State fiscal year 2000-2001 itemized expenditures and fund
33 sources;
- 34 c. State fiscal year 2001-2002 planned activities, objectives, and
35 accomplishments including actual results through December 31,
36 2001; and
- 37 d. State fiscal year 2001-2002 estimated itemized expenditures
38 and fund sources including actual expenditures and fund
39 sources through December 31, 2001.
- 40 (2) By January 15, 2003, and more frequently as requested, report to the
41 Joint Legislative Commission on Governmental Operations and the
42 Fiscal Research Division the following information:
- 43 a. State fiscal year 2001-2002 program activities, objectives, and
44 accomplishments;
- 45 b. State fiscal year 2001-2002 itemized expenditures and fund
46 sources;
- 47 c. State fiscal year 2002-2003 planned activities, objectives, and
48 accomplishments including actual results through December 31,
49 2002; and
- 50 d. State fiscal year 2002-2003 estimated itemized expenditures
51 and fund sources including actual expenditures and fund
52 sources through December 31, 2002.

- 1 (3) Provide to the Fiscal Research Division a copy of each grant
2 recipient's annual audited financial statement within 30 days of
3 issuance of the statement.
4

5 Requested by: Senators Martin of Pitt, Weinstein, Plyler, Odom, Lee

6 **OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS**

7 **SECTION 20.16.(a)** Of the funds appropriated in this act to the Rural
8 Economic Development Center, Inc., the sum of four hundred thousand dollars
9 (\$400,000) for the 2001-2002 fiscal year and the sum of four hundred thousand dollars
10 (\$400,000) for the 2002-2003 fiscal year shall be allocated as follows:

- 11 (1) \$100,000 in each fiscal year to the Opportunities Industrialization
12 Center of Wilson, Inc., for its ongoing job training programs;
13 (2) \$100,000 in each fiscal year to Opportunities Industrialization Center,
14 Inc., in Rocky Mount, for its ongoing job training programs;
15 (3) \$100,000 in each fiscal year to the Opportunities Industrialization
16 Center of Lenoir, Greene, and Jones Counties; and
17 (4) \$100,000 in each fiscal year to the Opportunities Industrialization
18 Center of Elizabeth City, Inc.

19 **SECTION 20.16.(b)** For each of the Opportunities Industrialization Centers
20 receiving funds pursuant to subsection (a) of this section, the Rural Economic
21 Development Center, Inc., shall:

- 22 (1) By January 15, 2002, and more frequently as requested, report to the
23 Joint Legislative Commission on Governmental Operations and the
24 Fiscal Research Division the following information:
25 a. State fiscal year 2000-2001 program activities, objectives, and
26 accomplishments;
27 b. State fiscal year 2000-2001 itemized expenditures and fund
28 sources;
29 c. State fiscal year 2001-2002 planned activities, objectives, and
30 accomplishments, including actual results through December
31 31, 2001; and
32 d. State fiscal year 2001-2002 estimated itemized expenditures
33 and fund sources, including actual expenditures and fund
34 sources through December 31, 2001.
35 (2) By January 15, 2003, and more frequently as requested, report to the
36 Joint Legislative Commission on Governmental Operations and the
37 Fiscal Research Division the following information:
38 a. State fiscal year 2001-2002 program activities, objectives, and
39 accomplishments;
40 b. State fiscal year 2001-2002 itemized expenditures and fund
41 sources;
42 c. State fiscal year 2002-2003 planned activities, objectives, and
43 accomplishments, including actual results through December
44 31, 2002; and
45 d. State fiscal year 2002-2003 estimated itemized expenditures
46 and fund sources, including actual expenditures and fund
47 sources through December 31, 2002.
48 (3) Provide to the Fiscal Research Division a copy of the annual audited
49 financial statements of the Opportunities Industrialization Centers
50 funded by this act within 30 days of issuance of the statement.
51
52

53 **PART XXI. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

SUBPART 1. CENTRAL ADMINISTRATION

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

DHHS REGIONAL OFFICES

SECTION 21.1.(a) The Department of Health and Human Services shall consolidate and reduce its regional, district, field, and satellite offices located throughout the State. The Department shall implement these consolidations and reductions no later than June 30, 2002. The Department shall provide the following information:

- (1) An inventory of all its regional, district, field, and satellite offices located throughout the State before the consolidation required in this section. This inventory shall include the purpose of the office (direct services or central location for field staff), the number of staff assigned to the office, the cost of operating the office, and information on whether the office is co-located or located near another regional, district, field, or satellite office;
- (2) An inventory of all its regional, district, field, and satellite offices located throughout the State after the consolidation required in this section is completed. This inventory shall include the purpose of the office (direct services or central location for field staff), the number of staff assigned to the office, the cost of operating the office, and information on whether the office is co-located or located near another regional, district, field, or satellite office;
- (3) A report on the anticipated impact of the consolidation required by this section on the delivery of services;
- (4) A report on the use of technology to comply with the consolidation required under this section to increase the number of staff working from their homes or other locations; and
- (5) A report on the anticipated cost savings, efficiencies in the use of State staff and resources, and improved delivery of services resulting from the consolidation required under this section.

SECTION 21.1.(b) The Department of Health and Human Services shall provide an interim report on the activities required under this section by January 1, 2002, and a final report by July 1, 2002. The interim and final reports shall be provided to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

CENTRALIZE CRIMINAL RECORD CHECK FUNCTIONS

SECTION 21.2. The Department of Health and Human Services shall centralize all activities throughout the Department relating to the coordination and processing of criminal record checks required by law. The centralization shall include the transfer of positions, corresponding State appropriations, federal funds, and other funds. The Department shall report on the centralization of criminal record check activities to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than January 1, 2002.

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

PRESCRIPTION DRUG ASSISTANCE PROGRAM MANAGEMENT

1 **SECTION 21.3.(a)** The Department of Health and Human Services shall
2 implement the following recommendations of the "North Carolina Medicaid Benefit
3 Study", May 1, 2001, to improve the management of prescription drug assistance
4 programs operated by the Department, including programs in the Divisions of Public
5 Health, Mental Health, Developmental Disabilities, and Substance Abuse Services,
6 Services for the Blind, and Vocational Rehabilitation:

- 7 (1) Dispensing of generic drugs: Notwithstanding G.S. 90-85.27 through
8 G.S. 90-85.31, under all prescription drug assistance programs
9 operated by the Department of Health and Human Services, a
10 prescription order for a drug designated by a trade or brand name,
11 except an atypical antipsychotic drug or a drug listed in the narrow
12 therapeutic index, shall be considered to be an order for the drug by its
13 established or generic name, except when the prescriber has
14 determined, at the time the drug is prescribed, that the brand name
15 drug is medically necessary and has written on the prescription order
16 the phrase "medically necessary". Generic drugs, when available in the
17 pharmacy, shall be dispensed at a lower cost to the Medical Assistance
18 Program rather than trade or brand name drugs. As used in this
19 subdivision, 'brand name' means the proprietary name the
20 manufacturer places upon a drug product or on its container, label, or
21 wrapping at the time of packaging, and 'established name' has the same
22 meaning as in section 502(e)(3) of the Federal Food, Drug, and
23 Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).
24 (2) Decrease the supplies of prescription drugs to 34-day supplies for
25 some or all drugs.

26 **SECTION 21.3.(b)** The Department shall consider other drug utilization
27 management activities for all prescription drug assistance programs operated by the
28 Department, as follows:

- 29 (1) Prior authorization program to manage costly name brand drugs.
30 (2) Maximum allowable pricing.
31 (3) Step therapy.
32 (4) Contracting with a pharmacy benefits manager to implement more
33 extensive prospective drug utilization review.

34 **SECTION 21.3.(c)** The Department shall report on the activities conducted
35 under this section to the Senate Appropriations Committee on Health and Human
36 Services, the House of Representatives Appropriations Subcommittee on Health and
37 Human Services, and the Fiscal Research Division no later than January 1, 2002.

38
39 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

40 **TOLL-FREE PHONE LINE INVENTORY AND CONSOLIDATION**

41 **SECTION 21.5.(a)** The Department of Health and Human Services shall
42 determine the feasibility of combining all Department-operated and contracted toll-free
43 (1-8xx) phone lines to create efficiencies. An inventory of all resource telephone lines
44 throughout Divisions of the Department shall be conducted and an evaluation completed
45 of potential savings in combining these phone lines. In conducting the inventory, the
46 Department shall identify the following:

- 47 (1) Title and purpose of the phone line.
48 (2) Type of information provided to callers.
49 (3) Budget of the operations.
50 (4) Number of staff (phone agents, other).
51 (5) Number of calls received annually to each phone line.
52 (6) Contracts.

1 The Department shall project costs for the new combined phone line and prepare a
2 comprehensive cost-benefit analysis on the new consolidated plan compared with
3 current services.

4 **SECTION 21.5.(b)** The Department shall submit a progress report on the
5 feasibility study to the Senate Appropriations Committee on Health and Human
6 Services, the House of Representatives Appropriations Subcommittee on Health and
7 Human Services, the Senate Appropriations Committee on Information Technology,
8 and the House of Representatives Appropriations Subcommittee on Information
9 Technology no later than October 1, 2001, and a final report by April 1, 2002.

10
11 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

12 **COORDINATION OF ACCESS TO PHARMACEUTICAL COMPANY**
13 **PRESCRIPTION DRUG PROGRAMS**

14 **SECTION 21.6.(a)** Of the funds appropriated in this act to the Department
15 of Health and Human Services, the sum of two hundred thousand dollars (\$200,000) for
16 the 2001-2002 fiscal year and the sum of two hundred thousand dollars (\$200,000) for
17 the 2002-2003 fiscal year shall be used to assist eligible individuals in obtaining
18 prescription drugs at no cost or for a nominal fee through pharmaceutical company
19 programs or initiatives. Coordination of access shall be provided through a central
20 location that maintains documentation of an individual's eligibility provided by the
21 individual and prescription orders from the individual's physician to facilitate the
22 provision of no-cost or nominal cost drugs under the pharmaceutical company program.
23 The coordination of access shall be implemented in a way that encourages physician,
24 patient, and pharmacy participation by reducing time-consuming procedural
25 requirements. The Department may contract with a private nonprofit organization to
26 coordinate access as provided under this section.

27 **SECTION 21.6.(b)** The Department shall report on the implementation of
28 this section on October 1, 2001, April 1, 2002, and October 1, 2002, to the Senate
29 Appropriations Committee on Health and Human Services, the House of
30 Representatives Appropriations Subcommittee on Health and Human Services, and the
31 Fiscal Research Division.

32
33 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

34 **ADULT CARE HOME REIMBURSEMENT RATES IMPLEMENTATION**
35 **PLAN**

36 **SECTION 21.7.(a)** The Department of Health and Human Services shall
37 implement all of the recommendations in the March 2001 performance audit report,
38 "Adult Care Home Reimbursement Rates", conducted by the Department of State
39 Auditor, except for the recommendation pertaining to review of the rate methodology
40 for adult care homes. The Department shall implement the recommendations not later
41 than July 1, 2002.

42 **SECTION 21.7.(b)** The Fiscal Research Division, through the Legislative
43 Services Office, in consultation with the Department of Health and Human Services,
44 shall issue a Request For Proposal (RFP) and contract for an independent consultant
45 with extensive expertise in rate-setting for public and private entities to develop a new
46 rate methodology for establishing reimbursements for adult care homes. The final report
47 of the independent consultant shall be presented to the General Assembly not later than
48 June 1, 2002.

49
50 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

51 **LONG-TERM CARE CONTINUUM OF CARE**

52 **SECTION 21.9.(a)** The Department of Health and Human Services shall, in
53 cooperation with other appropriate State and local agencies and representatives of

1 consumer and provider organizations, develop a system that provides a continuum of
2 long-term care for elderly and disabled individuals and their families. The Department
3 shall define the system of long-term care services to include:

- 4 (1) A structure and means for screening, assessment, and care
5 management across settings of care;
- 6 (2) A process to determine outcome measures for care;
- 7 (3) An integrated data system to track expenditures, consumer
8 characteristics, and consumer outcomes;
- 9 (4) Relationships between the Department and the State's universities to
10 provide policy analysis and program evaluation support for the
11 development of long-term care system reforms;
- 12 (5) An implementation plan that addresses testing of models, reviewing
13 existing models, evaluation of components, and steps needed to
14 achieve development of a coordinated system; and
- 15 (6) Provision for consumer, provider, and agency input into the system
16 design and implementation development.

17 **SECTION 21.9.(b)** Notwithstanding Section 11.7A(a) of S.L. 1999-237, as
18 amended by Section 11.4(b) of S.L. 2000-67, if non-State funds from within the
19 Department can be identified, the Department may, with the approval of the Office of
20 State Budget and Management, proceed to:

- 21 (1) Implement the initial phase of a comprehensive data system that tracks
22 long-term care expenditures, services, consumer profiles, and
23 consumer preferences; and
- 24 (2) Develop a system of statewide long-term care services coordination
25 and case management to minimize administrative costs, improve
26 access to services, and minimize obstacles to the delivery of long-term
27 care services to people in need.

28 **SECTION 21.9.(c)** Not later than April 15, 2002, the Department shall
29 submit a progress report to the Senate Appropriations Committee on Health and Human
30 Services, the House of Representatives Appropriations Subcommittee on Health and
31 Human Services, and the North Carolina Study Commission on Aging, on the
32 development of the system required under this section.

33
34 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

35 **RECODIFICATION OF ADMINISTRATIVE RULES**

36 **SECTION 21.10.** The Codifier of Rules may continue the process of
37 reorganizing Titles 10 and 15A of the North Carolina Administrative Code to reflect the
38 recent reorganization of the Department of Health and Human Services and the
39 Department of Environment and Natural Resources. The reorganization of the Code
40 may include replacing Title 10 with a new Title 10A if desirable for clarity. The
41 Codifier of Rules may make changes in the text of the affected rules to reflect changes
42 in organizational structure of the Department of Health and Human Services and the
43 Department of Environment and Natural Resources. So long as the changes in text do
44 not change the substance of the rules, the reorganization by the Codifier is exempt from
45 the requirements of Chapter 150B of the General Statutes and does not require the
46 review or approval of the Rules Review Commission.

47
48 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

49 **TRANSFER OF CERTAIN FUNDS AUTHORIZED**

50 **SECTION 21.11.** Article 1 of Chapter 143 of the General Statutes is
51 amended by adding the following new section to read:

52 **"§ 143-23.3. Transfer of certain funds authorized.**

1 In order to assure maximum utilization of funds in county departments of social
 2 services, county or district health agencies, and area mental health, developmental
 3 disabilities, and substance abuse services authorities, the Director of the Budget may
 4 transfer excess funds appropriated to a specific service, program, or fund, whether
 5 specified service in a block grant plan or General Fund appropriation, into another
 6 service, program, or fund for local services within the budget of the respective State
 7 agency."

8
 9 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

10 **PHYSICIAN SERVICES**

11 **SECTION 21.12.** With the approval of the Office of State Budget and
 12 Management, the Department of Health and Human Services may use funds
 13 appropriated in this act for across-the-board salary increases and performance pay to
 14 offset similar increases in the costs of contracting with private and independent
 15 universities for the provision of physician services to clients in facilities operated by the
 16 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.
 17 This offsetting shall be done in the same manner as is currently done with constituent
 18 institutions of The University of North Carolina.

19
 20 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

21 **ELIMINATE JOINT LEGISLATIVE PUBLIC ASSISTANCE COMMISSION**

22 **SECTION 21.13.(a)** G.S. 120-225 is repealed.

23 **SECTION 21.13.(b)** G.S. 108A-27.2(12) reads as rewritten:

24 "**§ 108A-27.2. General duties of the Department.**

25 The Department shall have the following general duties with respect to the Work
 26 First Program:

27 ..
 28 (12) Report to the ~~Joint Legislative Public Assistance Commission and the~~
 29 ~~members of the Senate Appropriations Committee on Health and~~
 30 ~~Human Resources Services~~ and the House of Representatives
 31 ~~Appropriations Subcommittee on Health and Human Resources~~
 32 ~~Services~~ the counties which have requested Electing status; status;
 33 provide copies of the proposed Electing County Plans to the ~~Joint~~
 34 ~~Legislative Public Assistance Commission~~ and the members of the
 35 Senate Appropriations Committee on ~~Health and Human Resources~~
 36 ~~Services~~ and the House of Representatives Appropriations
 37 Subcommittee on ~~Health and Human Resources Services~~; and make
 38 recommendations to the ~~Joint Legislative Public Assistance~~
 39 ~~Commission, the members of the Senate Appropriations Committee on~~
 40 ~~Health and Human Resources Services~~ and the House of
 41 Representatives Appropriations Subcommittee on ~~Health and Human~~
 42 ~~Resources, and the General Assembly Services~~ on which of the
 43 proposed Electing County Plans ensure compliance with federal and
 44 State laws, rules, and regulations and are consistent with the overall
 45 purposes and goals for the Work First Program; and".

46 **SECTION 21.13.(c)** G.S. 108A-27.9(d) reads as rewritten:

47 "(d) The section of the State Plan proposing the terms of the Work First Program
 48 in Electing Counties shall be based upon the aggregate of the Electing County Plans and
 49 shall include the following:

50 (1) Allocations of federal and State funds for Electing Counties in the
 51 Work First Program including block grants to counties and the
 52 allocation of funding for administration not to exceed the federally

1 established limitations on the use of federal TANF funds and the limits
2 imposed under this Article;

- 3 (2) Maintenance of effort and levels of State and county funding for
4 Electing Counties in the Work First Program;
- 5 (3) Federal eligibility requirements and a description of the eligibility
6 requirements and benefit calculation in each Electing County; and
- 7 (4) A description of the federal, State, and each Electing County's
8 financial participation in the Work First Program.

9 The Department may modify the section in the State Plan regarding Electing
10 Counties once a biennium or except as necessary to reflect any modifications made by
11 an Electing County. Any changes to the section of the State Plan regarding Electing
12 Counties shall be reported to the ~~Joint Legislative Public Assistance Commission at the~~
13 ~~next meeting of the Commission following the changes and to the General Assembly~~
14 ~~during the next session~~ Senate Appropriations Committee on Health and Human
15 Services, the House of Representatives Appropriations Subcommittee on Health and
16 Human Services, and the Fiscal Research Division within one month following the
17 changes."

18 **SECTION 21.13.(d)** G.S. 108A-29(r) reads as rewritten:

19 "(r) Each county's Job Service Employer Committee or Workforce Development
20 Board shall continue the study of the working poor, titled "NC WORKS", in their
21 respective counties and shall include the following in the study:

- 22 (1) Determination of the extent to which current labor market participation
23 enables individuals and families to earn the amount of disposable
24 income necessary to meet their basic needs;
- 25 (2) Determination of how many North Carolinians work and earn wages
26 below one hundred fifty percent (150%) of the Federal Poverty
27 Guideline and study trends in the size and demographic profiles of this
28 underemployed group within the respective county;
- 29 (3) Examination of job market factors that contribute to any changes in the
30 composition and numbers of the working poor including, but not
31 limited to, shifts from manufacturing to service, from full-time to
32 part-time work, from permanent to temporary or their contingent
33 employment;
- 34 (4) Consideration and determination of the respective responsibilities of
35 the public and private sectors in ensuring that working families and
36 individuals have disposable income adequate to meet their basic needs;
- 37 (5) Evaluation of the effectiveness of the unemployment insurance system
38 in meeting the needs of low-wage workers when they become
39 unemployed;
- 40 (6) Examination of the efficacy of a State-earned income tax credit that
41 would enable working families to meet the requirements of the basic
42 needs budget;
- 43 (7) Examination of the wages, benefits, and protections available to
44 part-time and temporary workers, leased employees, independent
45 contractors, and other contingent workers as compared to regular
46 full-time workers;
- 47 (8) Solicitation, receipt, and acceptance of grants or other funds from any
48 person or entity and enter into agreements with respect to these grants
49 or other funds regarding the undertaking of studies or plans necessary
50 to carry out the purposes of the committee; and
- 51 (9) A request of any necessary data from either public or private entities
52 that relate to the needs of the committee or board.

1 Each committee or board shall prepare and submit a report on the finding for the
 2 county which it represents by May 1 of each year to the ~~Joint Legislative Public~~
 3 ~~Assistance Commission, the Senate Appropriations Committee on Health and Human~~
 4 ~~Resources, Services, the House of Representatives Appropriations Subcommittee on~~
 5 ~~Health and Human Resources, Services, the Senate Appropriations Committee on~~
 6 ~~Natural and Economic Resources, and the House of Representatives Appropriations~~
 7 ~~Subcommittee on Natural and Economic Resources."~~

8 **SECTION 21.13.(e)** Unless specifically amended by another subsection of
 9 this section, the phrase "Joint Legislative Public Assistance Commission" is deleted and
 10 replaced by the phrase "Senate Appropriations Committee on Health and Human
 11 Services and the House of Representatives Appropriations Subcommittee on Health and
 12 Human Services" whenever it occurs in each of the following sections of the General
 13 Statutes:

14 G.S. 108A-27	Authorization and description of Work First Program; Work First Program changes; designation of Electing and Standard Program Counties.
15	
16 G.S. 108A-27.2	General Duties of the Department.
17 G.S. 108A-27.9	State Plan.
18 G.S. 108A-29	First Stop Employment Assistance; priority for employment services.
19	
20 G.S. 114-40	Inspector General.
21	
22	

23 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

24 **ESTABLISH OFFICE OF POLICY AND PLANNING**

25 **SECTION 21.14.(a)** It is the intent of the General Assembly that the
 26 Department of Health and Human Services provide coordinated policy development and
 27 strategic planning for the State's health and human services systems. The Department is
 28 directed to establish an Office of Policy and Planning within the Office of the Secretary
 29 from existing resources across the Department. The Director of the Office of Policy and
 30 Planning shall report directly to the Secretary and shall have the following
 31 responsibilities:

- 32 (1) Development of departmental policies, plans, and rules, in consultation
 33 with the Divisions of the Department.
- 34 (2) Development of a departmental process for the development and
 35 implementation of new policies, plans, and rules.
- 36 (3) Development of a departmental process for the review of existing
 37 policies, plans, and rules to ensure that departmental policies, plans,
 38 and rules are relevant.
- 39 (4) Coordination and review of all departmental policies before
 40 dissemination to ensure that all policies are well-coordinated within
 41 and across all programs.
- 42 (5) Implementation of ongoing strategic planning that integrates budget,
 43 personnel, and resources with the mission and operational goals of the
 44 Department.
- 45 (6) Review, disseminate, monitor, and evaluate best practice models.

46 **SECTION 21.14.(b)** Under the direction of the Secretary of Health and
 47 Human Services, the Director of the Office of Policy and Planning shall have the
 48 authority to direct Divisions, offices, and programs within the Department to conduct
 49 periodic reviews of policies, plans, and rules and shall have the authority to modify,
 50 amend, and repeal departmental policies, plans, and rules. All policy and management
 51 positions within the Office of Policy and Planning are exempt positions as that term is
 52 defined in G.S. 126-5.

1 **SECTION 21.14.(c)** The Department shall report on the establishment of the
 2 Office of Policy and Planning to the members of the Senate Appropriations Committee
 3 on Health and Human Services, the House of Representatives Appropriations
 4 Subcommittee on Health and Human Services, and the Fiscal Research Division by
 5 January 1, 2002.

6
 7 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

8 **TRANSFER POWER AND DUTIES OF THE CHILD CARE COMMISSION TO**
 9 **THE SOCIAL SERVICES COMMISSION AND ABOLISH THE CHILD**
 10 **CARE COMMISSION**

11 **SECTION 21.15.(a)** The powers and duties of the Child Care Commission
 12 are transferred to the Social Services Commission. All rules heretofore adopted by the
 13 Child Care Commission or the Child Day-Care Licensing Commission remain in full
 14 force until repealed or superseded by action of the Social Services Commission.

15 **SECTION 21.15.(b)** G.S. 143B-168.3 is repealed.

16 **SECTION 21.15.(c)** G.S. 143B-168.4 is repealed.

17 **SECTION 21.15.(d)** G.S. 143B-168.5 is recodified as G.S. 110-110 and
 18 reads as rewritten:

19 **"§ 110-110. ~~Child Care—special unit.~~Special unit to investigate abuse and neglect**
 20 **violations.**

21 There is established within the Department of ~~Health and Human Services~~ a special
 22 unit to deal primarily with violations involving child abuse and neglect in child care
 23 arrangements. The ~~Child Care~~ Commission shall make rules for the investigation of
 24 reports of child abuse or neglect and for administrative action when child abuse or
 25 neglect is substantiated, pursuant to G.S. 110-88(6a), 110-105, and 110-105.2."

26 **SECTION 21.15.(e)** G.S. 110-86(1) reads as rewritten:

27 **"§ 110-86. Definitions.**

28 Unless the context or subject matter otherwise requires, the terms or phrases used in
 29 this Article shall be defined as follows:

30 (1) Commission. – ~~The Child Care Commission created under this~~
 31 ~~Article.~~ Social Services Commission."

32 **SECTION 21.15.(f)** G.S. 110-91(4) reads as rewritten:

33 **"§ 110-91. Mandatory standards for a license.**

34 All child care facilities shall comply with all State laws and federal laws and local
 35 ordinances that pertain to child health, safety, and welfare. Except as otherwise
 36 provided in this Article, the standards in this section shall be complied with by all child
 37 care facilities. However, none of the standards in this section apply to the school-age
 38 children of the operator of a child care facility but do apply to the preschool-age
 39 children of the operator. Children 13 years of age or older may receive child care on a
 40 voluntary basis provided all applicable required standards are met. The standards in this
 41 section, along with any other applicable State laws and federal laws or local ordinances,
 42 shall be the required standards for the issuance of a license by the Secretary under the
 43 policies and procedures of the Commission except that the Commission may, in its
 44 discretion, adopt less stringent standards for the licensing of facilities which provide
 45 care on a temporary, part-time, drop-in, seasonal, after-school or other than a full-time
 46 basis.

47 ...
 48 (4) Building. – Each child care facility shall be located in a building which
 49 meets the appropriate requirements of the North Carolina Building
 50 Code under standards which shall be developed by the Building Code
 51 Council, subject to adoption by the Commission specifically for child
 52 care facilities, including facilities operated in a private residence.
 53 These standards shall be consistent with the provisions of this Article.

1 A local building code enforcement officer shall approve any proposed
 2 alternate material, design, or method of construction, provided the
 3 building code enforcement officer finds that the alternate, for the
 4 purpose intended, is at least the equivalent of that prescribed in the
 5 technical building codes in quality, strength, effectiveness, fire
 6 resistance, durability, or safety. A local building code enforcement
 7 officer shall require that sufficient evidence or proof be submitted to
 8 substantiate any claim made regarding the alternate. The ~~Child Care~~
 9 Commission may request changes to the Building Code to suit the
 10 special needs of preschool children. Satisfactorily written reports from
 11 representatives of building inspection agencies shall be required prior
 12 to the issuance of a license and whenever renovations are made to a
 13 child care center, or when the operator requests licensure of space not
 14 previously approved for child care."

15 **SECTION 21.15.(g)** G.S. 120-123(44) is repealed.

16 **SECTION 21.15.(h)** G.S. 143B-153(2) is amended by adding a new
 17 sub-subdivision to read:

18 "(2) The Social Services Commission shall have the power and duty to
 19 establish standards and adopt rules and regulations:

20 ...
 21 f. For child care facilities as provided in G.S. 110-88."

22 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee
 23 **COUNTY HEALTH AND HUMAN SERVICES BUDGET GUIDANCE**

24 **SECTION 21.16.** G.S. 108A-88 reads as rewritten:

25 **"§ 108A-88. Determination of State and county financial participation.**

26 Before February 15 of each year, the Secretary shall notify the county board of
 27 commissioners, the county manager, the director of social services~~services,~~ and the
 28 director of public health of each county of the amount of State and federal moneys
 29 estimated to be available, as best can be determined, to that county for programs of
 30 public assistance, social ~~services~~~~services,~~ public health, and related administrative
 31 costs, as well as the percentage of county participation expected to be required for the
 32 budget for the succeeding fiscal year. In odd-numbered years, in making such
 33 notification, the Secretary shall notify the counties of any changes in funding levels,
 34 formulas, or programs relating to public assistance and public health proposed by the
 35 Governor to the General Assembly in the proposed budget and budget report submitted
 36 under the Executive Budget Act. Counties shall be notified of additional changes in the
 37 proposed budget of the Governor and the Advisory Budget Commission that are made
 38 by the General Assembly or the United States Congress subsequent to the February 15
 39 estimates."
 40

41 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee
 42 **INFORMATION TECHNOLOGY PROJECT CONTRACTS**

43 **SECTION 21.17.(a)** Notwithstanding any other provision of law to the
 44 contrary, the Department of Health and Human Services may establish special
 45 time-limited positions in the Division of Information Research Management for an
 46 information technology project to maximize efficiencies in the preparation for and
 47 implementation of federal requirements of the medical records privacy standards under
 48 the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Positions
 49 established are not permanent positions, not subject to the State Personnel Act under
 50 G.S. 126-1.1, and not subject to the State salary schedule.

51 **SECTION 21.17.(b)** Positions established pursuant to this section may
 52 commence no earlier than July 1, 2001, and shall expire June 30, 2003.
 53

1
2 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

3 **USE OF SAVINGS REALIZED FROM ELIMINATION OF POSITIONS**

4 **SECTION 21.18.** Savings in non-State funds realized from the elimination
5 of positions in the Department of Health and Human Services shall be reallocated by the
6 Department for direct services in the program where the position was eliminated, except
7 in programs where State funds are used to draw down federal funds.
8

9 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

10 **INTERVENTION SERVICES UNIT**

11 **SECTION 21.18A.** There is created in the Department of Health and Human
12 Services the Intervention Services Unit in the Office of the Secretary. The Unit shall be
13 responsible for planning, research, monitoring, data analysis, and enhancing
14 coordination of programs and activities related to early intervention services, mental
15 health, developmental disabilities, and substance abuse services, social services,
16 preschool education services, and Smart Start services. The Unit shall work closely and
17 collaboratively with the divisions through which such programs and activities operate.
18

19 **SUBPART 2. MEDICAL ASSISTANCE**

20
21 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

22 **MEDICAID PROGRAM**

23 **SECTION 21.19.(a)** Funds appropriated in this act for services provided in
24 accordance with Title XIX of the Social Security Act (Medicaid) are for both the
25 categorically needy and the medically needy. Funds appropriated for these services shall
26 be expended in accordance with the following schedule of services and payment bases.
27 All services and payments are subject to the language at the end of this subsection.

28 Services and payment bases:

- 29 (1) Hospital-Inpatient – Payment for hospital inpatient services will be
30 prescribed in the State Plan as established by the Department of Health
31 and Human Services.
- 32 (2) Hospital-Outpatient – Eighty percent (80%) of allowable costs or a
33 prospective reimbursement plan as established by the Department of
34 Health and Human Services.
- 35 (3) Nursing Facilities – Payment for nursing facility services will be
36 prescribed in the State Plan as established by the Department of Health
37 and Human Services. Nursing facilities providing services to Medicaid
38 recipients who also qualify for Medicare must be enrolled in the
39 Medicare program as a condition of participation in the Medicaid
40 program. State facilities are not subject to the requirement to enroll in
41 the Medicare program.
- 42 (4) Intermediate Care Facilities for the Mentally Retarded – As prescribed
43 in the State Plan as established by the Department of Health and
44 Human Services.
- 45 (5) Drugs – Drug costs as allowed by federal regulations plus a
46 professional services fee per month excluding refills for the same drug
47 or generic equivalent during the same month. Reimbursement shall be
48 available for up to six prescriptions per recipient, per month, including
49 refills. Payments for drugs are subject to the provisions of subsection
50 (h) of this section and to the provisions at the end of subsection (a) of
51 this section, or in accordance with the State Plan adopted by the
52 Department of Health and Human Services consistent with federal
53 reimbursement regulations. Payment of the professional services fee

- 1 shall be made in accordance with the State Plan adopted by the
2 Department of Health and Human Services, consistent with federal
3 reimbursement regulations. The professional services fee shall be four
4 dollars (\$4.00) per prescription. Adjustments to the professional
5 services fee shall be established by the General Assembly.
- 6 (6) Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified
7 Nurse Midwife Services, Nurse Practitioners. – Fee schedules as
8 developed by the Department of Health and Human Services.
9 Payments for dental services are subject to the provisions of subsection
10 (g) of this section.
- 11 (7) Community Alternative Program, EPSDT Screens – Payment to be
12 made in accordance with rate schedule developed by the Department
13 of Health and Human Services.
- 14 (8) Home Health and Related Services, Private Duty Nursing, Clinic
15 Services, Prepaid Health Plans, Durable Medical Equipment –
16 Payment to be made according to reimbursement plans developed by
17 the Department of Health and Human Services.
- 18 (9) Medicare Buy-In – Social Security Administration premium.
- 19 (10) Ambulance Services – Uniform fee schedules as developed by the
20 Department of Health and Human Services. Public ambulance
21 providers will be reimbursed at cost.
- 22 (11) Hearing Aids – Actual cost plus a dispensing fee.
- 23 (12) Rural Health Clinic Services – Provider-based, reasonable cost;
24 nonprovider-based, single-cost reimbursement rate per clinic visit.
- 25 (13) Family Planning – Negotiated rate for local health departments. For
26 other providers - see specific services, for instance, hospitals,
27 physicians.
- 28 (14) Independent Laboratory and X-Ray Services – Uniform fee schedules
29 as developed by the Department of Health and Human Services.
- 30 (15) Optical Supplies – One hundred percent (100%) of reasonable
31 wholesale cost of materials.
- 32 (16) Ambulatory Surgical Centers – Payment as prescribed in the
33 reimbursement plan established by the Department of Health and
34 Human Services.
- 35 (17) Medicare Crossover Claims – An amount up to the actual coinsurance
36 or deductible or both, in accordance with the State Plan, as approved
37 by the Department of Health and Human Services.
- 38 (18) Physical Therapy and Speech Therapy – Services limited to EPSDT
39 eligible children. Payments are to be made only to qualified providers
40 at rates negotiated by the Department of Health and Human Services.
41 Physical therapy (including occupational therapy) and speech therapy
42 services are subject to prior approval and utilization review.
- 43 (19) Personal Care Services – Payment in accordance with the State Plan
44 approved by the Department of Health and Human Services.
- 45 (20) Case Management Services – Reimbursement in accordance with the
46 availability of funds to be transferred within the Department of Health
47 and Human Services.
- 48 (21) Hospice – Services may be provided in accordance with the State Plan
49 developed by the Department of Health and Human Services.
- 50 (22) Other Mental Health Services – Unless otherwise covered by this
51 section, coverage is limited to:
- 52 a. Agencies meeting the requirements of the rules established by
53 the Commission for Mental Health, Developmental Disabilities,

1 and Substance Abuse Services, and reimbursement is made in
 2 accordance with a State Plan developed by the Department of
 3 Health and Human Services not to exceed the upper limits
 4 established in federal regulations, and

5 b. For children eligible for EPSDT services:

- 6 1. Licensed or certified psychologists, licensed clinical
 7 social workers, certified clinical nurse specialists in
 8 psychiatric mental health advanced practice, and nurse
 9 practitioners certified as clinical nurse specialists in
 10 psychiatric mental health advanced practice, when
 11 Medicaid-eligible children are referred by the Carolina
 12 ACCESS primary care physician or the area mental
 13 health program, and
- 14 2. Institutional providers of residential services for children
 15 and Psychiatric Residential Treatment Facility services
 16 that meet federal and State requirements as defined by
 17 the Department.

18 The Department of Health and Human Services may adopt temporary
 19 rules in accordance with Chapter 150B of the General Statutes further
 20 defining the qualifications of providers and referral procedures in order
 21 to implement this subdivision.

- 22 (23) Medically Necessary Prosthetics or Orthotics for EPSDT Eligible
 23 Children – Reimbursement in accordance with the State Plan approved
 24 by the Department of Health and Human Services.
- 25 (24) Health Insurance Premiums – Payments to be made in accordance with
 26 the State Plan adopted by the Department of Health and Human
 27 Services consistent with federal regulations.
- 28 (25) Medical Care/Other Remedial Care – Services not covered elsewhere
 29 in this section include related services in schools; health professional
 30 services provided outside the clinic setting to meet maternal and infant
 31 health goals; and services to meet federal EPSDT mandates. Services
 32 addressed by this paragraph are limited to those prescribed in the State
 33 Plan as established by the Department of Health and Human Services.
- 34 (26) Pregnancy Related Services – Covered services for pregnant women
 35 shall include nutritional counseling, psychosocial counseling, and
 36 predelivery and postpartum home visits by maternity care coordinators
 37 and public health nurses.

38 Services and payment bases may be changed with the approval of the Director of the
 39 Budget.

40 Reimbursement is available for up to 24 visits per recipient per year to any
 41 one or combination of the following: physicians, clinics, hospital outpatient,
 42 optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children,
 43 emergency rooms, and mental health services subject to independent utilization review
 44 are exempt from the visit limitations contained in this paragraph. Exceptions may be
 45 authorized by the Department of Health and Human Services where the life of the
 46 patient would be threatened without such additional care. Any person who is determined
 47 by the Department to be exempt from the 24-visit limitation may also be exempt from
 48 the six-prescription limitation.

49 **SECTION 21.19.(b)** Allocation of Nonfederal Cost of Medicaid. – The State
 50 shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the
 51 nonfederal costs of all applicable services listed in this section.

SECTION 21.19.(c) Copayment for Medicaid Services. – The Department of Health and Human Services may establish copayment up to the maximum permitted by federal law and regulation.

SECTION 21.19.(d) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

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

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

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.

SECTION 21.19.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

SECTION 21.19.(f) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

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

SECTION 21.19.(g) Dental Coverage Limits. – Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

SECTION 21.19.(h) Dispensing of Generic Drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act) a prescription order for a drug designated by a trade or brand name, except a drug listed in the narrow therapeutic

1 drug index, shall be considered to be an order for the drug by its established or generic
2 name, except when the prescriber has determined, at the time the drug is prescribed, that
3 the brand name drug is medically necessary and has written on the prescription order the
4 phrase "medically necessary". Generic drugs, when available in the pharmacy, shall be
5 dispensed at a lower cost to the Medical Assistance Program rather than trade or brand
6 name drugs. As used in this subsection, "brand name" means the proprietary name the
7 manufacturer places upon a drug product or on its container, label, or wrapping at the
8 time of packaging; and "established name" has the same meaning as in section 502(e)(3)
9 of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

10 **SECTION 21.19.(i)** Exceptions to Service Limitations, Eligibility
11 Requirements, and Payments. – Service limitations, eligibility requirements, and
12 payments bases in this section may be waived by the Department of Health and Human
13 Services, with the approval of the Director of the Budget, to allow the Department to
14 carry out pilot programs for prepaid health plans, managed care plans, or
15 community-based services programs in accordance with plans approved by the United
16 States Department of Health and Human Services, or when the Department determines
17 that such a waiver will result in a reduction in the total Medicaid costs for the recipient.
18 The Department of Health and Human Services may proceed with planning and
19 development work on the Program of All-Inclusive Care for the Elderly.

20 **SECTION 21.19.(j)** Volume Purchase Plans and Single Source
21 Procurement. – The Department of Health and Human Services, Division of Medical
22 Assistance, may, subject to the approval of a change in the State Medicaid Plan,
23 contract for services, medical equipment, supplies, and appliances by implementation of
24 volume purchase plans, single source procurement, or other similar processes in order to
25 improve cost containment.

26 **SECTION 21.19.(k)** Cost-Containment Programs. – The Department of
27 Health and Human Services, Division of Medical Assistance, may undertake cost
28 containment programs, including preadmissions to hospitals and prior approval for
29 certain outpatient surgeries before they may be performed in an inpatient setting.

30 **SECTION 21.19.(l)** For all Medicaid eligibility classifications for which the
31 federal poverty level is used as an income limit for eligibility determination, the income
32 limits will be updated each April 1 immediately following publication of federal poverty
33 guidelines.

34 **SECTION 21.19.(m)** The Department of Health and Human Services shall
35 provide Medicaid to 19-, 20-, and 21-year olds in accordance with federal rules and
36 regulations.

37 **SECTION 21.19.(n)** The Department of Health and Human Services shall
38 provide coverage to pregnant women and to children according to the following
39 schedule:

- 40 (1) Pregnant women with incomes equal to or less than one hundred
41 eighty-five percent (185%) of the federal poverty guidelines as revised
42 each April 1 shall be covered for Medicaid benefits.
- 43 (2) Infants under the age of 1 with family incomes equal to or less than
44 one hundred eighty-five percent (185%) of the federal poverty
45 guidelines as revised each April 1 shall be covered for Medicaid
46 benefits.
- 47 (3) Children aged 1 through 5 with family incomes equal to or less than
48 one hundred thirty-three percent (133%) of the federal poverty
49 guidelines as revised each April 1 shall be covered for Medicaid
50 benefits.
- 51 (4) Children aged 6 through 18 with family incomes equal to or less than
52 the federal poverty guidelines as revised each April 1 shall be covered
53 for Medicaid benefits.

1 (5) The Department of Health and Human Services shall provide Medicaid
2 coverage for adoptive children with special or rehabilitative needs
3 regardless of the adoptive family's income.

4 Services to pregnant women eligible under this subsection continue
5 throughout the pregnancy but include only those related to pregnancy and to those other
6 conditions determined by the Department as conditions that may complicate pregnancy.
7 In order to reduce county administrative costs and to expedite the provision of medical
8 services to pregnant women, to infants, and to children described in subdivisions (3) and
9 (4) of this subsection, no resources test shall be applied.

10 **SECTION 21.19.(o)** Medicaid enrollment of categorically needy families
11 with children shall be continuous for one year without regard to changes in income or
12 assets.

13 **SECTION 21.19.(p)** The Department shall disregard earned income for
14 recipients who would otherwise lose Medicaid eligibility under section 1931 of Title
15 XIX of the Social Security Act due to earnings. This disregard shall be applied for a
16 maximum of 12 consecutive months.

17 **SECTION 21.19.(q)** The Department of Health and Human Services shall
18 submit a quarterly status report on expenditures for acute care and long-term care
19 services to the Fiscal Research Division and to the Office of State Budget and
20 Management. This report shall include an analysis of budgeted versus actual
21 expenditures for eligibles by category and for long-term care beds. In addition, the
22 Department shall revise the program's projected spending for the current fiscal year and
23 the estimated spending for the subsequent fiscal year on a quarterly basis. The quarterly
24 expenditure report and the revised forecast shall be forwarded to the Fiscal Research
25 Division and to the Office of State Budget and Management no later than the third
26 Thursday of the month following the end of each quarter.

27 **SECTION 21.19.(r)** The Division of Medical Assistance, Department of
28 Health and Human Services, may provide incentives to counties that successfully
29 recover fraudulently spent Medicaid funds by sharing State savings with counties
30 responsible for the recovery of the fraudulently spent funds.

31 **SECTION 21.19.(s)** If first approved by the Office of State Budget and
32 Management, the Division of Medical Assistance, Department of Health and Human
33 Services, may use funds that are identified to support the cost of development and
34 acquisition of equipment and software through contractual means to improve and
35 enhance information systems that provide management information and claims
36 processing.

37 **SECTION 21.19.(t)** The Department of Health and Human Services may
38 adopt temporary rules according to the procedures established in G.S. 150B-21.1 when
39 it finds that these rules are necessary to maximize receipt of federal funds, to reduce
40 Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these
41 temporary rules with the Office of Administrative Hearings, the Department shall
42 consult with the Office of State Budget and Management on the possible fiscal impact
43 of the temporary rule and its effect on State appropriations and local governments.

44 **SECTION 21.19.(u)** The Department shall report to the Fiscal Research
45 Division of the Legislative Services Office and to the House of Representatives
46 Appropriations Subcommittee on Health and Human Services and the Senate
47 Appropriations Committee on Health and Human Services or the Joint Legislative
48 Health Care Oversight Committee on any change it anticipates making in the Medicaid
49 program that impacts the type or level of service, reimbursement methods, or waivers,
50 any of which require a change in the State Plan or other approval by the Health Care
51 Financing Administration. The reports shall be provided at the same time they are
52 submitted to HCFA for approval.

1 **SECTION 21.19.(v)** Upon approval of a demonstration waiver by the Health
 2 Care Financing Administration, the Department of Health and Human Services may
 3 provide Medicaid coverage for family planning services to men and women of
 4 child-bearing age with family incomes equal to or less than one hundred eighty-five
 5 percent (185%) of the federal poverty level. Coverage shall be contingent upon federal
 6 approval of the waiver and shall begin no earlier than January 1, 2001.

7 **SECTION 21.19.(w)** The Department of Health and Human Services,
 8 Division of Medical Assistance, shall implement a new code for providers currently
 9 reimbursed for "Y" code services. The new code shall be implemented when standards
 10 required by the Health Insurance Portability and Accountability Act of 1996, as
 11 amended, are adopted by the Health Care Financing Administration and have become
 12 effective.

13
 14 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

15 **MEDICAID DEFINITION OF MEDICAL NECESSITY EXEMPT FROM**
 16 **RULE-MAKING UNDER APA; DETERMINATION OF MEDICAL**
 17 **NECESSITY**

18 **SECTION 21.20.(a)** The Department of Health and Human Services shall
 19 adopt a definition and application of "medical necessity" for the State Medicaid
 20 Program that is consistent with current references to national standards of care. In order
 21 to promote consistency among providers and ensure that medical necessity criteria are
 22 uniformly applied to beneficiaries throughout the State, the determination of "medical
 23 necessity" shall be made by Department staff or other utilization review contractors.
 24 Adoption of and amendments to the definition and application of "medical necessity"
 25 under the State Medicaid Program are exempt from rule-making requirements of
 26 Chapter 150B of the General Statutes.

27 **SECTION 21.20.(b)** G.S. 150B-1(d) reads as rewritten:

28 "(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to
 29 the following:

- 30 (1) The Commission.
- 31 (2) Repealed by Session Laws 2000-189, s. 14, effective July 1, 2000.
- 32 (3) The North Carolina Hazardous Waste Management Commission in
 33 administering the provisions of G.S. 130B-13 and G.S. 130B-14.
- 34 (4) The Department of Revenue, with respect to the notice and hearing
 35 requirements contained in Part 2 of Article 2A.
- 36 (5) The North Carolina Global TransPark Authority with respect to the
 37 acquisition, construction, operation, or use, including fees or charges,
 38 of any portion of a cargo airport complex.
- 39 (6) The Department of Correction, with respect to matters relating solely
 40 to persons in its custody or under its supervision, including prisoners,
 41 probationers, and parolees.
- 42 (7) The North Carolina Teachers' and State Employees' Comprehensive
 43 Major Medical Plan in administering the provisions of Parts 2 and 3 of
 44 Article 3 of Chapter 135 of the General Statutes.
- 45 (8) The Department of Health and Human Services in defining and
 46 applying 'medical necessity' under the State Medicaid Program."

47
 48 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

49 **COUNTY MEDICAID COST-SHARE**

50 **SECTION 21.21.(a)** Effective July 1, 2000, the county share of the cost of
 51 Medicaid services currently and previously provided by area mental health authorities
 52 shall be increased incrementally each fiscal year until the county share reaches fifteen
 53 percent (15%) of the nonfederal share by State fiscal year 2009-2010.

1 **SECTION 21.21.(b)** Effective July 1, 2000, the county share of the cost of
2 Medicaid Personal Care Services paid to adult care homes shall be decreased
3 incrementally each fiscal year until the county share reaches fifteen percent (15%) of
4 the nonfederal share by State fiscal year 2009-2010.

5
6 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

7 **NC HEALTH CHOICE**

8 **SECTION 21.22.** The total amount of State funds expended for the Health
9 Insurance Program for Children (NC Health Choice) in the 2001-2002 fiscal year and
10 the 2002-2003 fiscal year shall not exceed the amount of State funds appropriated to
11 match federal funds for the Program for the 2001-2002 fiscal year and the 2002-2003
12 fiscal year. The Department shall manage Program enrollment in a way that maximizes
13 the number of children served within existing funds.

14
15 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

16 **DISPOSITION OF DISPROPORTIONATE SHARE RECEIPT CHANGE**

17 **SECTION 21.23.(a)** Disproportionate share receipts reserved at the end of
18 the 2001-2002 fiscal year shall be deposited with the Department of State Treasurer as
19 nontax revenue for the 2001-2002 fiscal year.

20 **SECTION 21.23.(b)** For the 2001-2002 fiscal year, as it receives funds
21 associated with Disproportionate Share Payments from State hospitals, the Department
22 of Health and Human Services, Division of Medical Assistance, shall deposit up to one
23 hundred seven million dollars (\$107,000,000) of these Disproportionate Share Payments
24 to the Department of State Treasurer for deposit as nontax revenue. Any
25 Disproportionate Share Payments collected in excess of the one hundred seven million
26 dollars (\$107,000,000) shall be reserved by the State Treasurer for future
27 appropriations.

28
29 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

30 **MEDICAID COST CONTAINMENT AND GROWTH REDUCTION**

31 **SECTION 21.24.(a)** The Department of Health and Human Services,
32 Division of Medical Assistance, shall contain Medicaid Program costs by reducing the
33 rate of growth of the Medicaid Program, except for the rate of growth in the number of
34 persons eligible for Medicaid. The Department shall develop and implement a plan to
35 reduce the rate of growth in total expenditures for payments for medical services for
36 fiscal year 2002-2003 to eight percent (8%) or less of the total expenditures for the
37 2001-2002 fiscal year, excluding the rate of growth associated with eligibles.

38 **SECTION 21.24.(b)** In addition to findings and recommendations in the
39 "North Carolina Medicaid Benefit Study", May 1, 2001, the Department of Health and
40 Human Services may also consider the following actions to reduce the rate of growth in
41 the Medicaid Program:

- 42 (1) Changes in methods of reimbursement;
- 43 (2) Changes in the method of determining or limiting inflation factors, or
44 both;
- 45 (3) Recalibration of existing methods of reimbursement; and
- 46 (4) Contracting for services.

47 **SECTION 21.24.(c)** The Department shall report on its plans to reduce the
48 rate of growth in the State Medicaid Program not later than October 1, 2001. The
49 Department shall submit the report to the Senate Appropriations Committee on Health
50 and Human Services, the House of Representatives Appropriations Subcommittee on
51 Health and Human Services, and the Fiscal Research Division.

52 **SECTION 21.24.(d)** The Department shall not change medical policy
53 affecting the amount, sufficiency, duration, and scope of health care services and who

1 may provide services until the Division of Medical Assistance has prepared a five-year
2 fiscal analysis documenting the cost of the proposed change in medical policy and
3 submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis
4 for any proposed medical policy change exceeds three million dollars (\$3,000,000) in
5 total requirements for a given fiscal year, then the Department shall submit the proposed
6 policy change with the fiscal analysis to the Office of State Budget and Management
7 and the Fiscal Research Division.

8
9 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

10 **MEDICAID COST CONTAINMENT RESERVE**

11 **SECTION 21.25.** Of the funds appropriated in this act to the Department of
12 Health and Human Services for the 2001-2003 fiscal biennium, the sum of two million
13 dollars (\$2,000,000) for each year of the 2001-2003 fiscal biennium shall be placed in a
14 Reserve for Medicaid Cost Containment. Funds in the Reserve shall be used to support
15 activities that will contain the cost of the Medicaid Program including contracting for
16 services or hiring additional staff. Medicaid cost-containment activities may include
17 prospective reimbursement methods, incentive-based reimbursement methods, service
18 limits, prior authorization of services, periodic medical necessity reviews, revised
19 medical necessity criteria, service provision in the least costly settings, and other cost
20 containment related activities. Funds shall not be expended from the Reserve until the
21 Office of State Budget and Management has approved a proposal for the expenditure
22 submitted by the Department. Proposals for expenditures from the Reserve shall
23 include the cost of implementing the cost-containment activity and documentation on
24 the amount of savings expected to be realized from the cost-containment activity. The
25 Department shall submit a copy of proposals for expenditures from the Reserve to the
26 Fiscal Research Division.

27
28 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

29 **MEDICAID PROGRAM MANAGEMENT**

30 **SECTION 21.26.(a)** The Department of Health and Human Services shall
31 consider the findings and recommendations in the "North Carolina Medicaid Benefit
32 Study", May 1, 2001, and shall target the following in considering whether and to what
33 extent to implement recommendations:

- 34 (1) Reduction in the fragmentation in the medical benefit policy-making
35 process.
- 36 (2) Improvement in the use of data and medical literature in the
37 decision-making process.
- 38 (3) Improvement in the coordination of care and utilization review
39 process.
- 40 (4) Strengthening of program integrity controls.

41 **SECTION 21.26.(b)** The Department shall implement the following
42 recommendations of the "North Carolina Medicaid Benefit Study" to improve
43 management of the Medicaid pharmacy benefit:

- 44 (1) Implement a meaningful prior authorization program to manage
45 utilization of costly brand name drugs including at a minimum the
46 drugs listed in the "North Carolina Medicaid Benefits Study". In
47 determining additional drugs to be included in the prior authorization
48 program, the Department shall consider whether inclusion of these
49 drugs in the prior authorization program is likely to:
 - 50 a. Increase utilization of more expensive services, such as
51 emergency room visits, inpatient care, and nursing home care.
 - 52 b. Reduce quality of treatment or increase nonadherence by the
53 patient to appropriate medication regimens.

- 1 c. Create barriers that lead to a lower level of compliance by
 2 patients with appropriate drug therapy or delay in utilization of
 3 newly approved innovative drugs that offer clear medical
 4 benefits that exceed the benefits of standard therapy.
 5 d. Have a differential impact upon racial and ethnic minorities and
 6 the elderly.
 7 e. Increase cost of implementation and administration.

8 The Department shall conduct a review at least annually of the drugs
 9 included in the prior authorization program to determine whether any
 10 of the factors in sub-paragraphs a. through e. of this subdivision or
 11 other factors with similar results have occurred.

- 12 (2) Decrease supplies of prescription drugs to 34-day supplies for some or
 13 all drugs.
 14 (3) Actively manage physician prescribing practices through provider
 15 profiling.
 16 (4) Limit access to certain drugs to patients that present with a specific
 17 diagnosis.
 18 (5) Evaluate other incentives to encourage use of generic drugs, such as
 19 differential dispensing fees or differential copayments.

20 **SECTION 21.26.(c)** The Department shall consider other drug utilization
 21 management activities as follows:

- 22 (1) Using maximum allowable pricing.
 23 (2) Using step therapy.
 24 (3) Contracting with a pharmacy benefits manager to implement more
 25 extensive prospective drug utilization review.
 26 (4) Study the impact of eliminating the six prescription drug monthly limit
 27 combined with a more rigorous prior authorization program to ensure
 28 cost decisions are made based on evidenced-based clinical guidelines.

29 **SECTION 21.26.(d)** The Department shall report on all of the activities
 30 conducted under this section to the Senate Appropriations Committee on Health and
 31 Human Services, the House of Representatives Appropriations Subcommittee on Health
 32 and Human Services, and the Fiscal Research Division not later than January 1, 2002.

33
 34 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee, Purcell, Kerr

35 **CAROLINA ACCESS PROGRAM IMPROVEMENTS**

36 **SECTION 21.27.** The Department of Health and Human Services shall
 37 improve efficiencies and effectiveness in the Carolina ACCESS program by redesigning
 38 program operations to reflect the program goals of the ACCESS II and ACCESS III
 39 programs. Strategies for improving efficiencies and effectiveness may include such
 40 activities as:

- 41 (1) Accelerating conversion of ACCESS I to ACCESS II and III.
 42 (2) Establishing cost-reduction targets for ACCESS II and III partnerships.
 43 (3) Considering reimbursement mechanisms that will enable providers to
 44 share in the savings realized by exceeding cost-reduction targets.
 45 (4) Enhancing automatic linkages between patients and their primary care
 46 providers during Medicaid eligibility determination.
 47 (5) Improving the referral process to prevent abuse or inappropriate use of
 48 primary care provider's authorization number.

49
 50 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

51 **STUDY OPTIONAL SERVICES UNDER MEDICAID PROGRAM**

52 **SECTION 21.28.(a)** The Department of Health and Human Services shall
 53 study all of the optional services provided under the State Medical Assistance Program.

1 In conducting the study, the Department shall consider the analysis and
2 recommendations of the "North Carolina Medicaid Benefit Study", May 1, 2001, and
3 shall conduct a cost-benefit analysis of each optional service. The cost-benefit analysis
4 shall include consideration of cost containment achieved by reduction in or elimination
5 of the service, and the impact the reduction or elimination will have on client needs and
6 other services.

7 **SECTION 21.28.(b)** The Department shall report its findings and
8 recommendations to the Senate Appropriations Committee on Health and Human
9 Services, the House of Representatives Appropriations Subcommittee on Health and
10 Human Services, and the Fiscal Research Division not later than April 1, 2002.

11 **SUBPART 3. AGING**

12
13
14 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

15 **SPECIAL ASSISTANCE DEMONSTRATION PROJECT**

16 **SECTION 21.29.** Section 11.21 of S.L. 1999-237, as amended by Section
17 11.13 of S.L. 2000-67, reads as rewritten:

18 "Section 11.21. The Department of Health and Human Services may use funds from
19 the existing State/County Special Assistance for Adults budget to provide Special
20 Assistance payments to eligible individuals in in-home living arrangements. These
21 payments may be made for up to 400 individuals. These payments may be made for up
22 to a two-year period beginning July 1, 2000, and ending June 30, 2002. An individual
23 enrolled in the Special Assistance demonstration on June 30, 2002, who remains
24 continuously eligible may receive payments through June 30, 2003. To the maximum
25 extent possible, the Department shall consider geographic balance in the dispersion of
26 payments to individuals across the State. The Department shall make an interim report
27 to the cochairs of the House of Representatives Appropriations Committee, the cochairs
28 of the House of Representatives Appropriations Subcommittee on Health and Human
29 Services and the cochairs of the Senate Appropriations Committee, the Chair of the
30 Senate Appropriations Committee on Human Resources by June 30, 2001, and a final
31 report by October 1, 2002. This report shall include the following information:

- 32 (1) A description of cost savings that could occur by allowing individuals
33 eligible for State/County Special Assistance the option of remaining in
34 the home.
- 35 (2) Which activities of daily living or other need criteria are reliable
36 indicators for identifying individuals with the greatest need for income
37 supplements for in-home living arrangements.
- 38 (3) How much case management is needed and which types of individuals
39 are most in need of case management.
- 40 (4) The geographic location of individuals receiving payments under this
41 section.
- 42 (5) A description of the services purchased with these payments.
- 43 (6) A description of the income levels of individuals who receive
44 payments under this section and the impact on the Medicaid program.
- 45 (7) Findings and recommendations as to the feasibility of continuing or
46 expanding the demonstration program."
- 47

48 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

49 **SENIOR CENTER OUTREACH**

50 **SECTION 21.30.(a)** Funds appropriated to the Department of Health and
51 Human Services, Division of Aging, for the 2001-2003 fiscal biennium shall be used by
52 the Division of Aging to enhance senior center programs as follows:

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

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

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

5 **SECTION 21.30.(b)** Prior to funds being allocated pursuant to this section
6 for start-up funds for a new senior center, the board of commissioners of the county in
7 which the new center will be located shall:

8 (1) Formally endorse the need for a center;

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

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

12 **SECTION 21.30.(c)** State funding shall not exceed ninety percent (90%) of
13 reimbursable costs.

14 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

15 **FUNDS FOR ALZHEIMER'S ASSOCIATION CHAPTERS IN NORTH**
16 **CAROLINA**

17 **SECTION 21.31.** Of the funds appropriated in this act to the Department of
18 Health and Human Services, Division of Aging, the sum of one hundred fifty thousand
19 dollars (\$150,000) for the 2001-2002 fiscal year and the sum of one hundred fifty
20 thousand dollars (\$150,000) for the 2002-2003 fiscal year shall be allocated among the
21 three chapters of the Alzheimer's Association, as follows:

22 (1) \$50,000 in each fiscal year for the Western Alzheimer's Chapter;

23 (2) \$50,000 in each fiscal year for the Southern Piedmont Alzheimer's
24 Chapter; and

25 (3) \$50,000 in each fiscal year for the Eastern Alzheimer's Chapter.

26 Before funds may be allocated to any chapter under this section, the chapter shall
27 submit to the Division of Aging, for its approval, a plan for the use of these funds.

28 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

29 **AREA AGENCIES ON AGING COST SAVINGS STUDY; REDUCTION IN**
30 **NUMBER OF AGENCIES; FUNDS**

31 **SECTION 21.32.(a)** The Department of Health and Human Services shall
32 conduct a study to determine cost savings to be realized and increased efficiencies to be
33 gained by reducing the number of Area Agencies on Aging from 17 to not more than 13
34 and not fewer than 10. In conducting the study, the Department shall collect data to
35 determine the amount of the reduction in administrative costs, direct costs, and indirect
36 costs, and shall calculate the reduction based on maintaining the amount and quality of
37 services provided. The Department shall do a cost-benefit analysis of each option for the
38 reduction in the number of agencies, e.g., analysis for reducing to 13, analysis for
39 reducing to 12, etc. The Department shall report the results of its study to the Senate
40 Appropriations Committee on Health and Human Services, the House of
41 Representatives Appropriations Subcommittee on Health and Human Services, and the
42 Fiscal Research Division not later than March 1, 2002.

43 **SECTION 21.32.(b)** Of the funds appropriated in this act to the Department
44 of Health and Human Services, the sum of seven hundred thousand dollars (\$700,000)
45 for the 2001-2002 fiscal year shall be allocated equally among each of the Area
46 Agencies on Aging. These funds shall be used for planning, coordination, and
47 operational activities that enhance each agency's ability to provide services, information,
48 and education to consumers, and to better meet the data and technical assistance needs
49 of providers, local planning committees, and local governments.

50 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee
51
52
53

DIVISION OF AGING CONSOLIDATION OF SECTIONS

SECTION 21.33. The Department of Health and Human Services, Division of Aging, shall reduce layers of management and streamline operations by consolidating the Planning and Information and the Budget and Information sections. The Division shall transfer positions, corresponding State appropriations, federal funds, and any other relevant funds. The Department shall allocate savings in non-State funds realized from the reduction in positions to direct services such as Ombudsman services, home delivered meals, and personal care services. In allocating these funds, the Department shall give priority to those direct services for which there are clients waiting for services.

SUBPART 4. SOCIAL SERVICES

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

EXTEND ADULT CARE HOME MORATORIUM

SECTION 21.34. Section 11.69(b) of S.L. 1997-443, as amended by Section 12.16C(a) of S.L. 1998-212, and as amended by Section 1 of S.L. 1999-135, and as further amended by Section 11.9(a) of S.L. 2000-67, reads as rewritten:

"(b) Effective until ~~September 30, 2001, June 30, 2002,~~ the Department of Health and Human Services shall not approve the addition of any adult care home beds for any type home or facility in the State, except as follows:

- (1) Plans submitted for approval prior to May 18, 1997, may continue to be processed for approval;
- (2) Plans submitted for approval subsequent to May 18, 1997, may be processed for approval if the individual or organization submitting the plan demonstrates to the Department that on or before August 25, 1997, the individual or organization purchased real property, entered into a contract to purchase or obtain an option to purchase real property, entered into a binding real property lease arrangement, or has otherwise made a binding financial commitment for the purpose of establishing or expanding an adult care home facility. An owner of real property who entered into a contract prior to August 25, 1997, for the sale of an existing building together with land zoned for the development of not more than 50 adult care home beds with a proposed purchaser who failed to consummate the transaction may, after August 25, 1997, sell the property to another purchaser and the Department may process and approve plans submitted by the purchaser for the development of not more than 50 adult care home beds. It shall be the responsibility of the applicant to establish, to the satisfaction of the Department, that any of these conditions have been met;
- (3) Adult care home beds in facilities for the developmentally disabled with six beds or less which are or would be licensed under G.S. 131D or G.S. 122C may continue to be approved;
- (4) ~~If the Department determines that the vacancy rate of available adult care home beds in a county is fifteen percent (15%) or less of the total number of available beds in the county as of August 26, 1997, and no new beds have been approved or licensed in the county or plans submitted for approval in accordance with subdivision (1) or (2) of this section which would raise the vacancy rate above fifteen percent (15%) in the county, then the Department may accept and approve the addition of beds in that county; or~~
- (5) ~~If a county board of commissioners determines that a substantial need exists for the addition of adult care home beds in that county, the board~~

1 ~~of commissioners may request that a specified number of additional~~
2 ~~beds be licensed for development in their county. In making their~~
3 ~~determination, the board of commissioners shall give consideration to~~
4 ~~meeting the needs of Special Assistance clients. The Department may~~
5 ~~approve licensure of the additional beds from the first facility that files~~
6 ~~for licensure and subsequently meets the licensure requirements."~~
7

8 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

9 **ADULT CARE HOME RESIDENT ASSESSMENT SERVICES**

10 **SECTION 21.35.** Funds appropriated in this act to the Department of Health
11 and Human Services, Division of Social Services, for adult care home positions in the
12 Department and in county departments of social services shall be used for personnel
13 trained in the medical and social needs of older adults and disabled persons in adult care
14 homes to evaluate individuals requesting State/County Special Assistance to pay for
15 care in adult care homes. One of the functions of these personnel shall be to develop
16 and collect data on the appropriate level of care and placement in the long-term care
17 system, including identifying individuals who pose a risk to other residents and who
18 may need further mental health assessment and treatment. These personnel shall also
19 provide technical assistance to adult care homes on how to conduct functional
20 assessments and develop care plans and shall assist in monitoring the Special Assistance
21 Demonstration Project.
22

23 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

24 **QUALITY CRITERIA FOR LONG-TERM CARE**

25 **SECTION 21.36.** The Department of Health and Human Services, in
26 conjunction with the North Carolina Institute of Medicine, shall continue a special work
27 group to develop criterion-based indicators for the monitoring of quality of care in
28 North Carolina nursing homes, adult care homes, assisted living facilities, and home
29 health care programs. The Institute of Medicine and the Department of Health and
30 Human Services shall work together to implement these criteria for the monitoring of
31 long-term care in the State and pursue options for the use of these criteria in lieu of
32 current HCFA-mandated standards for surveying North Carolina nursing homes under
33 the federal Medicaid and Medicare programs.
34

35 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

36 **CHILD PROTECTIVE SERVICES**

37 **SECTION 21.37.(a)** The funds appropriated in this act to the Department of
38 Health and Human Services, Division of Social Services, for the 2001-2003 fiscal
39 biennium for Child Protective Services shall be allocated to county departments of
40 social services based upon a formula which takes into consideration the number of
41 Child Protective Services cases and the number of Child Protective Services workers
42 and supervisors necessary to meet recommended standards adopted by the North
43 Carolina Association of County Directors of Social Services.

44 **SECTION 21.37.(b)** Funds allocated under subsection (a) of this section
45 shall be used by county departments of social services for carrying out investigative
46 assessments of child abuse or neglect or for providing protective or preventive services
47 in cases in which the department confirms abuse, neglect, or dependency.
48

49 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

50 **LIMITATIONS ON STATE ABORTION FUND**

51 **SECTION 21.38.** The limitations on funding of the performance of abortion
52 established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by

1 Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2001-2002 and
2 2002-2003 fiscal years.

3
4 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

5 **STATE CHILD FATALITY REVIEW TEAM REPORTING**

6 **SECTION 21.39.** The Division of Social Services, Department of Health
7 and Human Services, shall report to the members of the Senate Appropriations
8 Committee on Health and Human Services, the House of Representatives
9 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
10 Division on the activities of the State Child Fatality Review Team including
11 recommendations for changes in the statewide child protection system no later than
12 October 1 of each year.

13
14 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

15 **SPECIAL CHILDREN ADOPTION FUND**

16 **SECTION 21.40.(a)** Of the funds appropriated to the Department of Health
17 and Human Services in this act, the sum of one million one hundred thousand dollars
18 (\$1,100,000) shall be used to support the Special Children Adoption Fund for each year
19 of the 2001-2003 fiscal biennium. The Division of Social Services, in consultation with
20 the North Carolina Association of County Directors of Social Services and
21 representatives of licensed private adoption agencies, shall develop guidelines for the
22 awarding of funds to licensed public and private adoption agencies upon the adoption of
23 children described in G.S. 108A-50 and in foster care. Payments received from the
24 Special Children Adoption Fund by participating agencies shall be used exclusively to
25 enhance the adoption services. No local match shall be required as a condition for
26 receipt of these funds. In accordance with State rules for allowable costs, the Special
27 Children Adoption Fund may be used for post-adoption services for families whose
28 incomes exceed two hundred percent (200%) of the federal poverty level.

29 **SECTION 21.40.(b)** Of the total funds appropriated for the Special Children
30 Adoption Fund, each year one million dollars (\$1,000,000) shall be reserved for
31 payment to participating private adoption agencies.

32
33 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

34 **FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

35 **SECTION 21.41.(a)** The maximum rates for State participation in the foster
36 care assistance program are established on a graduated scale as follows:

- 37 (1) \$315.00 per child per month for children aged birth through 5;
38 (2) \$365.00 per child per month for children aged 6 through 12; and
39 (3) \$415.00 per child per month for children aged 13 through 18.

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

42 **SECTION 21.41.(b)** The maximum rates for State participation in the
43 adoption assistance program are established on a graduated scale as follows:

- 44 (1) \$315.00 per child per month for children aged birth through 5;
45 (2) \$365.00 per child per month for children aged 6 through 12; and
46 (3) \$415.00 per child per month for children aged 13 through 18.

47 **SECTION 21.41.(c)** In addition to providing board payments to foster and
48 adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter
49 324 of the 1995 Session Laws, any additional funds remaining that were appropriated
50 for this purpose shall be used to provide medical training in avoiding HIV transmission
51 in the home.

52 **SECTION 21.41.(d)** The maximum rates for State participation in HIV
53 foster care and adoption assistance are established on a graduated scale as follows:

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

5
6 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

7 **SPECIAL NEEDS ADOPTIONS INCENTIVE FUND**

8 **SECTION 21.42.(a)** There is created a Special Needs Adoptions Incentive
9 Fund to provide financial assistance to facilitate the adoption of certain children residing
10 in licensed foster care homes, effective January 1, 2001. These funds shall be used to
11 remove financial barriers to the adoption of these children and shall be available to
12 foster care families who adopt children with special needs as defined by the Social
13 Services Commission. These funds shall be matched by county funds.

14 **SECTION 21.42.(b)** This program shall not constitute an entitlement and is
15 subject to the availability of funds.

16 **SECTION 21.42.(c)** The Social Services Commission shall adopt rules to
17 implement the provisions of this section.

18 **SECTION 21.42.(d)** The Department of Health and Human Services shall
19 report on the use of these funds no later than April 1, 2002, to the Senate Appropriations
20 Committee on Health and Human Services, the House of Representatives
21 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
22 Division.

23
24 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

25 **EXTEND REPORTING DEADLINES – CLOSING THE ACHIEVEMENT GAP**

26 **SECTION 21.43.** The Department of Health and Human Services shall
27 present a progress report on the study required by Section 11.4 of S.L. 2000-67 to the
28 Senate Appropriations Committee on Health and Human Services and the House of
29 Representatives Appropriations Subcommittee on Health and Human Services no later
30 than March 1, 2002, and shall make a final report to the Senate Appropriations
31 Committee on Health and Human Services and the House of Representatives
32 Appropriations Subcommittee on Health and Human Services no later than February 1,
33 2003.

34
35 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

36 **STATE/COUNTY SPECIAL ASSISTANCE**

37 **SECTION 21.44.(a)** The eligibility of Special Assistance recipients residing
38 in adult care homes on August 1, 1995, shall not be affected by an income reduction in
39 the Special Assistance eligibility criteria resulting from adoption of the Rate Setting
40 Methodology Report and Related Services, providing these recipients are otherwise
41 eligible. The maximum monthly rate for these residents in adult care home facilities
42 shall be one thousand two hundred thirty-one dollars (\$1,231) per month per resident.

43 **SECTION 21.44.(b)** The maximum monthly rate for residents in adult care
44 home facilities shall be one thousand sixty-two dollars (\$1,062) per month per resident
45 through September 30, 2001.

46 **SECTION 21.44.(c)** Effective October 1, 2001, the maximum monthly rate
47 for residents in adult care home facilities shall be one thousand sixty-nine dollars
48 (\$1,069) per month per resident.

49
50 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

51 **STATE MATERNITY HOME FUND**

52 **SECTION 21.45.** The Divisions of Social Services and Public Health in the
53 Department of Health and Human Services, in consultation with local departments of

1 social services, health departments, and other health and human services programs such
2 as faith-based organizations and domestic violence programs, shall assess alternative
3 local resources available to women receiving services through the State Maternity
4 Home Fund. The Department shall determine the services that are provided by each of
5 the maternity homes through the State Maternity Home Fund and those services that are
6 otherwise available, and shall provide a cost comparison of the services.

7
8 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

9 **CHILD WELFARE SYSTEM PILOTS**

10 **SECTION 21.46.(a)** The Department of Health and Human Services,
11 Division of Social Services, shall develop a plan, working with local departments of
12 social services, to implement an alternative response system of child protection in no
13 fewer than two and no more than 10 demonstration areas in this State. The plan should
14 provide for the pilots to implement an alternative response system in which local
15 departments of social services utilize family assessment tools and family support
16 principles when responding to selected reports of suspected child neglect.

17 **SECTION 21.46.(b)** The Department of Health and Human Services shall
18 develop data collection processes that would enable the General Assembly to assess the
19 impact of these pilots on the following:

- 20 (1) Child safety.
- 21 (2) Timeliness of response.
- 22 (3) Timeliness of service.
- 23 (4) Coordination of local human services.
- 24 (5) Cost-effectiveness.
- 25 (6) Any other related issues.

26 **SECTION 21.46.(c)** The Department of Health and Human Services may
27 proceed to implement this pilot program if non-State funds are identified for this
28 purpose.

29
30 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

31 **STATE ADULT DAY CARE FUND**

32 **SECTION 21.47.** The Department of Health and Human Services, Division
33 of Aging, shall implement changes in its methodology currently used for allocating
34 slots. The new allocation shall be implemented January 1, 2002, and shall ensure the
35 Fund will serve new clients. Not later than January 1, 2002, the Department of Health
36 and Human Services, Division of Aging, shall report to the Senate Appropriations
37 Committee on Health and Human Services, the House of Representatives
38 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
39 Division the new allocation methodology. The report shall include all of the changes
40 made in the new allocation and an estimate of the number of new clients served. The
41 allocation of all slots paid for with State Adult Day Care Funds shall be distributed
42 equitably among service providers and shall eliminate the funding of unused slots.

43
44 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

45 **FAMILY RESOURCE CENTERS**

46 **SECTION 21.48.(a)** The Department of Health and Human Services shall
47 evaluate the use of all State and federal funds allocated to Family Resource Centers.
48 The evaluation shall incorporate data collected from all programs receiving these funds
49 and shall assess the effectiveness of each program in achieving established program
50 goals including the following:

- 51 (1) Enhancing children's development and ability to attain academic and
52 social success.

- 1 (2) Ensuring a successful transition from early childhood education
2 programs and child care to public schools.
3 (3) Assisting families in achieving economic independence and
4 self-sufficiency.
5 (4) Mobilizing public and private community resources to help children
6 and families in need.
7 (5) Ensuring that plans are designed and implemented to provide families
8 with services in a holistic family centered manner.

9 **SECTION 21.48.(b)** The Department shall establish performance
10 measurement protocol, based on national standards or best practice models, to
11 determine the effectiveness of services provided by all family resource centers.

12 **SECTION 21.48.(c)** The Department shall ensure that all programs have
13 similar core services and the same goals while eliminating duplication of effort at the
14 local level. The Department shall redirect the funds for Family Resource Centers to
15 focus on those core services that have a direct impact on strengthening family support.

16 **SECTION 21.48.(d)** The Department shall not allocate funds to Family
17 Resource Centers that have not demonstrated that they have developed and
18 implemented local Memoranda of Understanding that delineate specific roles and
19 responsibilities to ensure effectiveness and efficiency in the operation of Family
20 Resource Centers.

21 **SECTION 21.48.(e)** The Department shall report on activities under this
22 section. This report is due to the Senate Appropriations Committee on Health and
23 Human Services, the House of Representatives Appropriations Subcommittee on Health
24 and Human Services, and the Fiscal Research Division on June 30, 2002.

25
26 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

27 **REORGANIZATION OF DIVISION OF SOCIAL SERVICES**

28 **SECTION 21.49.** The Department of Health and Human Services, Division
29 of Social Services shall reduce layers of management and streamline operations in
30 accordance with the following:

- 31 (1) Consolidate the Resource and Information Management Section and
32 Budget Operations Section including the elimination of one section
33 chief position. The Division of Social Services shall further
34 consolidate to address low staff-to-supervisor ratios. All positions and
35 corresponding State appropriations, federal funds, and other funds in
36 these two sections shall be consolidated.
37 (2) Consolidate the Program Integrity, Economic Independence Services,
38 and Local Support Branches into one branch within the Economic
39 Independence Section. The Division of Social Services shall further
40 consolidate to address low staff-to-supervisor ratios. All positions and
41 corresponding State appropriations, federal funds, and other funds
42 shall be consolidated.
43 (3) Eliminate the Local Support Section including all positions and
44 corresponding State appropriations, federal funds, and other funds.
45 (4) Eliminate the Program Development Branch including the
46 corresponding position and State appropriations, federal funds, and
47 other funds.
48

49 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

50 **INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND**
51 **PERFORMANCE ENHANCEMENTS**

1 **SECTION 21.50.(a)** The Department of Health and Human Services shall
2 review the Intensive Family Preservation Services Program to enhance and implement
3 initiatives which focus on increasing the sustainability and effectiveness of the Program.

4 **SECTION 21.50.(b)** The Department of Health and Human Services shall
5 require that any program or entity that receives State, federal, or other funding for the
6 purpose of Intensive Family Preservation Services shall provide the following
7 information on an annual basis:

- 8 (1) An established follow-up system with a minimum of 12 months of
9 follow-up services.
- 10 (2) Detailed information on the specific interventions applied including
11 utilization indicators and performance measurement.
- 12 (3) Cost-benefit data.
- 13 (4) Data on long-term benefits associated with Intensive Family
14 Preservation Services. This data shall be obtained by tracking families
15 through the intervention process.
- 16 (5) The number of families remaining intact due to associated
17 interventions beyond 12 months.
- 18 (6) The number and percentage of minority race children who received
19 Intensive Family Preservation Services at a ratio essentially equivalent
20 to the ratio of their distribution in the general population exposed to
21 Child Protective Services involvement based on the CPS risk ratings.

22 **SECTION 21.50.(c)** The Department shall establish performance-based
23 funding protocol and shall only provide funding to those counties providing the required
24 information specified in subsection (b) of this section. The amount of funding shall be
25 based on the individual performance of each program.

26 **SECTION 21.50.(d)** The Department of Health and Human Services shall
27 prepare an interim report to the Senate Appropriations Committee on Health and Human
28 Services, the House of Representatives Appropriations Subcommittee on Health and
29 Human Services, and the Fiscal Research Division on the implementation of these
30 changes by January 1, 2002, and shall provide a final report no later than May 30, 2002.

31
32 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

33 **APPROVE TANF STATE PLAN**

34 **SECTION 21.51.(a)** The General Assembly approves the plan titled "North
35 Carolina Temporary Assistance for Needy Families State Plan FY 2001-2003", prepared
36 by the Department of Health and Human Services and presented to the General
37 Assembly on May 15, 2001. The North Carolina Temporary Assistance for Needy
38 Families State Plan covers the period October 1, 2001, through September 30, 2003.
39 The Department shall submit the State Plan to the United States Department of Health
40 and Human Services as amended by this act or any other act of the 2001 General
41 Assembly.

42 **SECTION 21.51.(b)** The counties approved as Electing Counties in North
43 Carolina's Temporary Assistance for Needy Families State Plan FY 2001-2003 as
44 approved by this section are: Caldwell, Caswell, Davie, Henderson, Iredell, Lenoir,
45 Lincoln, Macon, McDowell, Randolph, Sampson, Surry, and Wilkes.

46
47 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

48 **REPEAL RECIPIENT IDENTIFICATION SYSTEM**

49 **SECTION 21.52.** G.S. 108A-24(1a) and G.S. 108A-25.1 are repealed.

50
51 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

52 **CHILD SUPPORT PILOT PROGRAM/ENHANCED STANDARDS**

1 **SECTION 21.53.(a)** It is the intent of the General Assembly that the
2 Department of Health and Human Services increase the productivity and enhance the
3 performance of its child support enforcement central office as well as its local offices
4 statewide.

5 **SECTION 21.53.(b)** The Department of Health and Human Services, Office
6 of the Controller, and the Division of Social Services shall immediately develop and
7 implement performance enhancement strategies focusing on improved efficiency and
8 effectiveness across the State and shall develop and implement at least one privatization
9 pilot which tests the feasibility of privatizing State-operated local child support
10 enforcement operations.

11 **SECTION 21.53.(c)** The Department of Health and Human Services shall
12 develop and implement performance standards for each of the State and local child
13 support enforcement offices across the State. In development of these performance
14 standards, the Department of Health and Human Services shall evaluate other private
15 and public child support models and national standards as well as other successful
16 collections models. These performance standards shall include the following:

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

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

31 **SECTION 21.53.(d)** The Department of Health and Human Services shall
32 develop and implement a program to reward its child support enforcement offices for
33 exemplary performance.

34 **SECTION 21.53.(e)** The Department of Health and Human Services shall
35 report on its progress in complying with the provisions of this section to the Senate
36 Appropriations Committee on Health and Human Services, the House of
37 Representatives Appropriations Subcommittee on Health and Human Services, and the
38 Fiscal Research Division. The Department shall make interim reports no later than
39 September 1, 2001, and January 15, 2002, and a final report no later than May 1, 2002.

40
41 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

42 **ADULT CARE HOME MODEL FOR COMMUNITY-BASED SERVICES**

43 **SECTION 21.54.(a)** In keeping with the United States Supreme Court
44 Decision in Olmstead vs. L.C. & E.W. and with State policy to provide appropriate
45 services to clients in the least restrictive and most appropriate environment, the
46 Department of Health and Human Services shall develop a model project for delivering
47 community-based mental health, developmental disabilities, and substance abuse
48 housing and services through adult care homes that have excess capacity. The model
49 shall be designed for implementation on a pilot basis and shall address the following:

- 50 (1) Services that will be provided by the facility or under contract with the
51 facility, including assistance with daily medication.
- 52 (2) Access of clients to mental health, developmental disabilities, and
53 substance abuse services provided in the community, including

1 transportation to services outside of the client's residence in the adult
2 care home facility.

3 (3) Physical plant additions or changes necessary to provide for
4 independent living of residents.

5 (4) Methods for assuring quality of services, resident safety, and
6 cost-effectiveness.

7 (5) Consistency with the Department's Olmstead plan, other policies on
8 community-integration, and disability plans adopted by the State.

9 **SECTION 21.54.(b)** The Department shall submit a progress report on the
10 development of the model to the Senate Appropriations Committee on Health and
11 Human Services, the House of Representatives Appropriations Subcommittee on Health
12 and Human Services, and the Fiscal Research Division on or before January 1, 2002,
13 and a final report on March 1, 2002. The report shall address the following:

14 (1) The proposed time and location for implementation of the pilot.

15 (2) Proposed number of residents to be placed and services to be provided
16 directly by the facility or under contract with the facility.

17 (3) Method for evaluating the pilot, including services provided, on a
18 regular basis.

19 (4) A description of the living environment for each resident and a
20 comparison of how the living environment compares to that of other
21 residents in the adult care home.

22 (5) Changes to State law necessary to implement the pilot.

23 (6) Projected cost to the State for pilot and statewide implementation.
24

25 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

26 **FUNDS FOR CHILD SUPPORT SERVICES**

27 **SECTION 21.54A.** Of the funds appropriated in this act to the Department
28 of Health and Human Services, Division of Social Services, the sum of one million five
29 hundred thousand dollars (\$1,500,000) for the 2001-2002 fiscal year shall be used to
30 contract for additional child support services in urban counties demonstrating significant
31 caseload backlogs. The additional support to urban counties shall address the backlog
32 of cases and emphasize the establishment of paternities and the location of absent
33 parents.
34

35 **SUBPART 5. MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND** 36 **SUBSTANCE ABUSE SERVICES**

37
38 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

39 **LIABILITY INSURANCE**

40 **SECTION 21.55.** The Secretary of the Department of Health and Human
41 Services, the Secretary of the Department of Environment and Natural Resources, and
42 the Secretary of the Department of Correction may provide medical liability coverage
43 not to exceed one million dollars (\$1,000,000) per incident on behalf of employees of
44 the Departments licensed to practice medicine or dentistry, all licensed physicians who
45 are faculty members of The University of North Carolina who work on contract for the
46 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
47 for incidents that occur in Division programs, and on behalf of physicians in all
48 residency training programs from The University of North Carolina who are in training
49 at institutions operated by the Department of Health and Human Services. This
50 coverage may include commercial insurance or self-insurance and shall cover these
51 individuals for their acts or omissions only while they are engaged in providing medical
52 and dental services pursuant to their State employment or training.

1 The coverage provided under this section shall not cover any individual for
2 any act or omission that the individual knows or reasonably should know constitutes a
3 violation of the applicable criminal laws of any state or the United States, or that arises
4 out of any sexual, fraudulent, criminal, or malicious act, or out of any act amounting to
5 willful or wanton negligence.

6 The coverage provided pursuant to this section shall not require any
7 additional appropriations and shall not apply to any individual providing contractual
8 service to the Department of Health and Human Services, the Department of
9 Environment and Natural Resources, or the Department of Correction, with the
10 exception that coverage may include physicians in all residency training programs from
11 The University of North Carolina who are in training at institutions operated by the
12 Department of Health and Human Services and licensed physicians who are faculty
13 members of The University of North Carolina who work for the Division of Mental
14 Health, Developmental Disabilities, and Substance Abuse Services.

15
16 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

17 **PRIVATE AGENCY UNIFORM COST-FINDING REQUIREMENT**

18 **SECTION 21.56.** To ensure uniformity in rates charged to area programs
19 and funded with State-allocated resources, the Division of Mental Health,
20 Developmental Disabilities, and Substance Abuse Services of the Department of Health
21 and Human Services may require a private agency that provides services under contract
22 with two or more area programs, except for hospital services that have an established
23 Medicaid rate, to complete an agency-wide uniform cost finding in accordance with
24 G.S. 122C-143.2(a) and G.S. 122C-147.2. The resulting cost shall be the maximum
25 included for the private agency in the contracting area program's unit cost finding.

26
27 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee, Gulley, Lucas

28 **BUTNER COMMUNITY LAND RESERVATION**

29 **SECTION 21.57.** The Department of Health and Human Services shall
30 reserve and dedicate the following described land for the construction of a Community
31 Building and related facilities to serve the Butner Reservation:

32 "Approximately 2 acres, on the east side it borders Central Avenue with a line
33 running along the Wallace Bradshur property on the north back to the tree line next to
34 the ADATC. From there it follows the tree line south and west to and including the
35 softball field. From the softball field it turns east to the State Employees Credit Union
36 and follows the Credit Union property on the south side back to Central Avenue."

37 This land shall be reserved and dedicated for the project which shall be
38 funded with contributions from Granville County, contributions from the residents of
39 the Butner Reservation, the use of cablevision franchise rebate funds received by the
40 Department of Health and Human Services on behalf of the Butner Reservation, and
41 other public and private sources.

42
43 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

44 **MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE**
45 **ABUSE SERVICES RESERVE FOR SYSTEM REFORM AND OLMSTEAD**
46 **DECISION.**

47 **SECTION 21.58.(a)** There is created in the Office of State Budget and
48 Management the Mental Health, Developmental Disabilities, and Substance Abuse
49 Services Reserve for System Reform and Olmstead. The purposes of the Reserve are
50 to:

- 51 (1) Provide start-up funds for programs and services that provide
52 community alternatives for individuals currently residing in the State's

mental health, developmental disabilities, and substance abuse services institutions.

(2) Facilitate the State's compliance with the United States Supreme Court decision in Olmstead vs. L.C. and E.W.

(3) Facilitate reform of the mental health, developmental disabilities, and substance abuse services system.

SECTION 21.58.(b) Funds appropriated to the Reserve created in subsection (a) of this section shall be used to:

(1) Pay one-time expenditures that will not impose additional financial obligations on the State, and

(2) Establish or expand community-based services if sufficient recurring funds can be identified within the Department from funds currently budgeted for mental health, developmental disabilities, and substance abuse services, area mental health programs, or local government.

SECTION 21.58.(c) Before allocating funds from the Reserve, the Director of the Budget shall certify that the planned uses of the funds are in compliance with this section and do not constitute or will not create an ongoing financial obligation to the State.

SECTION 21.58.(d) Funds in the Mental Health, Developmental Disabilities, and Substance Abuse Services Reserve for System Reform and Olmstead shall not revert to the General Fund but shall remain in the Reserve to be used as authorized in this section.

SECTION 21.58.(e) The Department of Health and Human Services shall report prior to the allocation of these funds to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on any actions taken under this section.

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

NONMEDICAID REIMBURSEMENT CHANGES

SECTION 21.59. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no more than those under the North Carolina Medical Assistance Program.

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

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

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

	Medical Eye	All	
	Care Adults	Rehabilitation	Other
<u>Family Size</u>			

1	1	\$4,860	\$8,364	\$4,200
2	2	5,940	10,944	5,300
3	3	6,204	13,500	6,400
4	4	7,284	16,092	7,500
5	5	7,821	18,648	7,900
6	6	8,220	21,228	8,300
7	7	8,772	21,708	8,800
8	8	9,312	22,220	9,300

The eligibility level for children in the Medical Eye Care Program in the Division of Services for the Blind shall be one hundred percent (100%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

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

<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%

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

Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

COMPREHENSIVE TREATMENT SERVICES PROGRAM

SECTION 21.60.(a) The Department of Health and Human Services shall establish the Comprehensive Treatment Services Program for children at risk for institutionalization or other out-of-home placement. The Program shall be implemented by the Department in consultation with the Department of Juvenile Justice and Delinquency Prevention, the Department of Public Instruction, and other affected State agencies. The purpose of the Program is to provide appropriate and medically necessary residential and nonresidential treatment alternatives for children at risk of institutionalization or other out-of-home placement. Program funds shall be targeted for non-Medicaid eligible children. Program funds may also be used to expand a child mental health system-of-care approach statewide. The program shall include the following:

- (1) Behavioral health screening for all children at risk of institutionalization or other out-of-home placement.
- (2) Appropriate and medically necessary residential and nonresidential services for deaf children.

- 1 (3) Appropriate and medically necessary residential and nonresidential
2 treatment services including placements for sexually aggressive youth.
- 3 (4) Appropriate and medically necessary residential and nonresidential
4 treatment services including placements for youths needing substance
5 abuse treatment services and children with serious emotional
6 disturbances.
- 7 (5) Multidisciplinary case management services, as needed.
- 8 (6) A system of utilization review specific to the nature and design of the
9 Program.
- 10 (7) Mechanisms to ensure that children are not placed in department of
11 social services custody for the purpose of obtaining mental health
12 residential treatment services.
- 13 (8) Mechanisms to maximize current State and local funds and to expand
14 use of Medicaid funds to accomplish the intent of this Program.
- 15 (9) Other appropriate components to accomplish the Program's purpose.
- 16 (10) The Secretary of the Department of Health and Human Services may
17 enter into contracts with residential service providers.

18 **SECTION 21.60.(b)** In order to ensure that children at risk for
19 institutionalization or other out-of-home placement are appropriately served by the
20 mental health, developmental disabilities, and substance abuse services system, the
21 Department of Health and Human Services, Division of Mental Health, Developmental
22 Disabilities, and Substance Abuse Services, shall do the following with respect to
23 services provided to these children:

- 24 (1) Provide only those treatment services that are medically necessary.
- 25 (2) Implement utilization review of services provided.
- 26 (3) Adopt the following guiding principles for the provision of services:
 - 27 a. Service delivery system must be outcome-oriented and
28 evaluation-based.
 - 29 b. Services should be delivered as close as possible to the child's
30 home.
 - 31 c. Services selected should be those that are most efficient in
32 terms of cost and effectiveness.
 - 33 d. Services should not be provided solely for the convenience of
34 the provider or the client.
 - 35 e. Families and consumers should be involved in decision making
36 throughout treatment planning and delivery.
- 37 (4) Implement all of the following cost-reduction strategies:
 - 38 a. Preauthorization for all services except emergency services.
 - 39 b. Levels of care to assist in the development of treatment plans.
 - 40 c. Clinically appropriate services.
 - 41 d. State review of individualized service plans not later than May
42 1, 2002, for all children served to ensure that service plans
43 focus on delivery of appropriate services rather than optimal
44 treatment and habilitation plans.

45 **SECTION 21.60.(c)** The Department shall collaborate with other affected
46 State agencies such as the Department of Juvenile Justice and Delinquency Prevention,
47 the Department of Public Instruction, the Administrative Office of the Courts, and with
48 local departments of social services, area mental health programs, and local education
49 agencies to eliminate cost shifting and facilitate cost sharing among these governmental
50 agencies with respect to the treatment and placement services.

51 **SECTION 21.60.(d)** The Department shall not allocate funds appropriated
52 for Program services until a Memorandum of Agreement has been executed between the
53 Department of Health and Human Services, the Department of Public Instruction, and

1 other affected State agencies. The Memorandum of Agreement shall address
2 specifically the roles and responsibilities of the various departmental divisions and
3 affected State agencies involved in the administration, financing, care, and placement of
4 children at risk of institutionalization or other out-of-home placement. The Department
5 shall not allocate funds appropriated in this act for the Program until Memoranda of
6 Agreement between local departments of social services, area mental health programs,
7 local education agencies, and the Administrative Office of the Courts and the
8 Department of Juvenile Justice and Delinquency Prevention, as appropriate, are
9 executed to effectuate the purpose of the Program. The Memoranda of Agreement shall
10 address issues pertinent to local implementation of the Program.

11 **SECTION 21.60.(e)** Notwithstanding any other provision of law to the
12 contrary, services under the Comprehensive Treatment Services Program are not an
13 entitlement for non-Medicaid eligible children served by the Program.

14 **SECTION 21.60.(f)** The Department of Health and Human Services, in
15 conjunction with the Department of Juvenile Justice and Delinquency Prevention, the
16 Department of Public Instruction, and other affected agencies, shall report on the
17 following Program information:

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

31 **SECTION 21.60.(g)** The Department shall submit an interim report on
32 December 1, 2001, on the implementation of this section and a final report not later than
33 April 1, 2002, to the House of Representatives Appropriations Subcommittee on Health
34 and Human Services, the Senate Appropriations Committee on Health and Human
35 Services, and the Fiscal Research Division.

36
37 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

38 **WHITAKER SCHOOL**

39 **SECTION 21.61.(a)** Effective July 1, 2002, the Whitaker School is closed.
40 The Department of Health and Human Services shall work with families and guardians,
41 the Department of Public Instruction, the Department of Juvenile Justice and
42 Delinquency Prevention, and appropriate local education agencies, area mental health,
43 developmental disabilities, and substance abuse programs, and local departments of
44 social services to develop a plan for the closure of Whitaker School on July 1, 2002.
45 The Plan shall include assessment of placement and treatment needs of children
46 receiving services from Whitaker School on or before the effective date of closure of the
47 school. The Department shall ensure appropriate and safe placement for those children
48 who, in accordance with the assessment, need an institutional setting. If the appropriate
49 institutional setting is not available, the Department shall report to the Senate
50 Appropriations Committee on Health and Human Services, the House of
51 Representatives Appropriations Subcommittee on Health and Human Services, and the
52 Fiscal Research Division. The report shall be submitted not later than December 1,
53 2001, and shall include a plan for making an appropriate and safe institutional setting

1 available by July 1, 2002. The Plan shall also include transition plans that facilitate and
2 support children living in their natural environments and utilizing existing resources and
3 natural supports. The Department shall report on the needs assessment not later than
4 September 1, 2001, and shall report on the complete transition plan not later than March
5 1, 2002. The report shall be submitted to the Senate Appropriations Committee on
6 Health and Human Services, the House of Representatives Appropriations
7 Subcommittee on Health and Human Services, the Joint Legislative Commission on
8 Governmental Operations, and the Fiscal Research Division.

9 **SECTION 21.61.(b)** The Department of Health and Human Services shall
10 contract for a comprehensive residential services needs assessment for children at risk
11 of institutionalization or other out-of-home placement. Notwithstanding any other
12 provision of law to the contrary, the Department shall use funds from the Reserve for
13 Mental Health System Reform for the needs assessment required under this subsection.
14 The Department shall report on the needs assessment to the Senate Appropriations
15 Committee on Health and Human Services, the House of Representatives
16 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
17 Division not later than December 1, 2001.

18
19 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

20 **MENTAL RETARDATION CENTER CLOSURE**

21 **SECTION 21.62.(a)** In keeping with the United States Supreme Court
22 Decision in Olmstead vs. L.C. & E.W. and State policy to provide appropriate services
23 to clients in the least restrictive and most appropriate environment, the Department of
24 Health and Human Services shall develop a plan for closing of at least one State mental
25 retardation center. The closure shall be effective July 1, 2002. The Department shall
26 also develop a transition plan for moving each resident of the mental retardation center
27 to appropriate community-based services and supports. The transition plan shall be
28 developed in consultation with the resident and the resident's family or guardian.

29 **SECTION 21.62.(b)** The Department may use funds from the Reserve for
30 Mental Health Reform to facilitate closure of the mental retardation center and the
31 transition of clients of the closed mental retardation center into alternative
32 community-based services. Savings realized from closure of a mental retardation center
33 pursuant to this section shall be deposited to the Reserve for Mental Health Reform to
34 be used for community services.

35 **SECTION 21.62.(c)** On or before February 1, 2002, and again on or before
36 May 1, 2002, the Department shall report to the Joint Legislative Commission on
37 Governmental Operations, the Senate Appropriations Committee on Health and Human
38 Services, the House of Representatives Appropriations Subcommittee on Health and
39 Human Services, and the Fiscal Research Division on its progress in implementing this
40 section.

41
42 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

43 **DOROTHEA DIX HOSPITAL**

44 **SECTION 21.63.(a)** In keeping with the United States Supreme Court
45 decision in Olmstead vs. L.C. & E.W. and State policy to provide appropriate services
46 to clients in the least restrictive and most appropriate environment, the Department of
47 Health and Human Services shall develop a plan for the closure of Dorothea Dix
48 Hospital. Dorothea Dix Hospital shall be closed effective July 1, 2003. The goal of the
49 State Hospital Closure Plan is to develop mechanisms and identify resources needed to
50 enable current patients and their families to continue to receive the necessary services
51 and supports based on the following guiding principles:

- 52 (1) Individuals shall be provided acute psychiatric care in non-State
53 facilities when appropriate.

- 1 (2) Individuals shall be provided acute psychiatric care in State facilities
2 only when non-State facilities are unavailable.
3 (3) Individuals shall receive evidenced-based psychiatric services and care
4 that are cost-efficient.
5 (4) The State shall minimize cost shifting to other State and local facilities
6 or institutions.

7 **SECTION 21.63.(b)** The Department of Health and Human Services shall
8 develop and implement an individual transition plan for each patient in the hospital.
9 The State shall ensure that transition plans for placement of and services to individuals
10 who are patients of Dix at the time of closure take into consideration the availability of
11 appropriate alternative placements based on the needs of the patient and within
12 resources available for the mental health, developmental disabilities, and substance
13 abuse services system. In developing each plan, the Department shall consult with the
14 patient and the patient's family or other legal representative.

15 **SECTION 21.63.(b1)** In accordance with the plan established in subsections
16 (a) and (b) of this section, any savings in State appropriations that result from reductions
17 in beds or services shall be placed in the Reserve for Mental Health System Reform.
18 These funds shall be used to facilitate the closing of the facility and the transition of
19 clients into appropriate community-based services and supports in accordance with
20 Section 21.58 of this act.

21 **SECTION 21.63.(c)** The Department of Health and Human Services shall
22 submit reports on the status of implementation of this section to the Joint Legislative
23 Commission on Governmental Operations, the Senate Appropriations Committee on
24 Health and Human Services, the House Appropriations Subcommittee on Health and
25 Human Services, and the Fiscal Research Division. These reports shall be submitted on
26 October 1, 2001, February 1, 2002, and May 1, 2002.

27
28 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

29 **REORGANIZATION OF DIVISION OF MENTAL HEALTH,
30 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES**

31 **SECTION 21.64.(a)** The Department of Health and Human Services,
32 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
33 shall reduce layers of management and duplication of services in accordance with the
34 following:

- 35 (1) Eliminate the Hospitals Services Section, including positions and
36 corresponding State appropriations, federal funds, and other funds. The
37 administration, planning, and coordination of all adult mental health
38 services and programs shall be consolidated within an existing section
39 in the Division of Mental Health, Developmental Disabilities, and
40 Substance Abuse Services.
41 (2) Eliminate the Mental Retardation/Mental Illness Transition Branch
42 within the Developmental Disabilities Section, including positions,
43 corresponding State appropriations, federal funds and other funds.
44 (3) Consolidate within one section all positions and corresponding State
45 appropriations, federal funds, and other funds for financial, budgetary,
46 information technology, and other administrative support functions in
47 order to create one administrative and budgetary support section within
48 the Division.

49 **SECTION 21.64.(b)** The Department of Health and Human Services,
50 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services
51 shall study the feasibility of consolidating its staff, responsibilities, and resources
52 around the functional areas of need of its clients regardless of disability. These

1 functional areas shall include housing services and supports, supported employment,
2 local crisis services, and capacity development.

3 **SECTION 21.64.(c)** The Department of Health and Human Services shall
4 report to the Senate Appropriations Committee on Health and Human Services, the
5 House of Representatives Appropriations Subcommittee on Health and Human
6 Services, and the Fiscal Research Division on its progress in complying with this
7 section. The progress reports shall be submitted on or before September 1, 2001, and
8 December 1, 2001. The final report shall be submitted on or before April 15, 2002.

9
10 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

11 **REDUCE ADMINISTRATIVE COSTS OF AREA MENTAL HEALTH,
12 DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE
13 AUTHORITIES**

14 **SECTION 21.65.(a)** Area mental health, developmental disabilities, and
15 substance abuse authorities or counties administering mental health, developmental
16 disabilities, and substance abuse services shall develop and implement plans to reduce
17 local administrative costs. The plans shall be developed in accordance with guidelines
18 adopted by the Secretary, in consultation with the Local Government Commission and
19 the North Carolina Association of County Commissioners, and in accordance with the
20 following:

- 21 (1) For the 2001-2002 fiscal year, administrative costs for:
 - 22 a. Area mental health, developmental disabilities, and substance
23 abuse services programs shall not exceed fifteen percent (15%).
 - 24 b. Counties administering mental health, developmental
25 disabilities, and substance abuse services through a county
26 program shall not exceed fifteen percent (15%).
- 27 (2) For the 2002-2003 fiscal year, administrative costs for:
 - 28 a. Area mental health, developmental disabilities, and substance
29 abuse services programs shall not exceed twelve percent (12%).
 - 30 b. Counties administering mental health, developmental
31 disabilities, and substance abuse services through a county
32 program shall not exceed twelve percent (12%).

33 **SECTION 21.65.(b)** The Department of Health and Human Services shall
34 report its progress in complying with this section not later than October 1, 2001, January
35 1, 2002, and April 15, 2002. The reports shall be submitted to the Senate
36 Appropriations Committee on Health and Human Services, the House of
37 Representatives Appropriations Subcommittee on Health and Human Services, and the
38 Fiscal Research Division, and shall include:

- 39 (1) A description of the process used and the participants involved in
40 complying with subsection (a) of this section.
- 41 (2) The guidelines developed under subsection (a) of this section.
- 42 (3) A description of local compliance initiatives and efforts including
43 program or function consolidation.
- 44 (4) A list of area programs at or below the targeted twelve percent (12%)
45 for the 2000-2001 fiscal year.
- 46 (5) Projected savings in administrative costs as a result of implementation
47 of the targeted limits required under this section.

48
49 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

50 **SERVICES TO MULTIPLY DIAGNOSED ADULTS**

51 **SECTION 21.66.(a)** In order to ensure that multiply diagnosed adults are
52 appropriately served by the mental health, developmental disabilities, and substance
53 abuse services system, the Department of Health and Human Services, Division of

1 Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the
2 following with respect to services provided to these adults:

- 3 (1) Implement the following guiding principles for the provision of
4 services:
5 a. Service delivery system must be outcome oriented and
6 evaluation based.
7 b. Services should be delivered as close as possible to the
8 consumer's home.
9 c. Services selected should be those that are most efficient in
10 terms of cost and effectiveness.
11 d. Services should not be provided solely for the convenience of
12 the provider or the client.
13 e. Families and consumers should be involved in decision making
14 throughout treatment planning and delivery; and
15 (2) Provide those treatment services that are medically necessary.
16 (3) Implement utilization review of services provided.

17 **SECTION 21.66.(b)** The Department of Health and Human Services shall
18 implement all of the following cost-reduction strategies:

- 19 (1) Preauthorization for all services except emergency services.
20 (2) Criteria for determining medical necessity.
21 (3) Clinically appropriate services.
22 (4) Not later than May 1, 2002, conduct a State review of (i)
23 individualized service plans for adults served to ensure that service
24 plans focus on delivery of appropriate services rather than optimal
25 treatment and habilitation plans, and (ii) staffing patterns of residential
26 services.

27 **SECTION 21.66.(c)** No State funds shall be used for the purchase of
28 single-family or other residential dwellings to house multiply diagnosed adults.

29 **SECTION 21.66.(d)** The Department shall submit a progress report on
30 implementation of this section not later than February 1, 2001, and a final report not
31 later than May 1, 2002, to the Senate Appropriations Committee on Health and Human
32 Services, the House of Representatives Appropriations Subcommittee on Health and
33 Human Services, and the Fiscal Research Division.

34
35 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

36 **DOWNSIZING OF MENTAL RETARDATION CENTERS**

37 **SECTION 21.67.(a)** In accordance with the Department of Health and
38 Human Services' plan for downsizing the State's regional mental retardation facilities by
39 four percent (4%) each year, the Department shall implement cost-containment and
40 reduction strategies to ensure the corresponding financial and staff downsizing of each
41 facility. The Department shall manage the client population of the mental retardation
42 centers in order to ensure that placements for ICF/MR level of care shall be made in
43 non-State facilities. Admissions to State ICF/MR facilities are permitted only as a last
44 resort and only upon approval of the Department. The corresponding budgets for each
45 of the State mental retardation centers shall be reduced, and positions shall be
46 eliminated as the census of each facility decreases. At no time shall mental retardation
47 center positions be transferred to other units within a facility or assigned nondirect care
48 activities such as outreach.

49 **SECTION 21.67.(a1)** Any savings in State appropriations that result from
50 reductions in beds or services shall be placed in the Reserve for Mental Health System
51 Reform. These funds shall be used to facilitate the closing of the facility and the
52 transition of clients into appropriate community-based services and supports in
53 accordance with Section 21.58 of this act.

1 **SECTION 21.67.(b)** Of the funds appropriated in this act to the Department
2 of Health and Human Services for the 2002-2003 fiscal year for the operation of the
3 State's Intermediate Care Facilities for the Mentally Retarded (ICF/MR), savings in
4 excess of four million dollars (\$4,000,000) resulting from downsizing activities shall be
5 identified and placed in the Reserve for Mental Health Reform.

6 **SECTION 21.67.(c)** The Department of Health and Human Services shall
7 report on its progress in complying with this section to the Senate Appropriations
8 Committee on Health and Human Services, the House of Representatives
9 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
10 Division. Progress reports shall be submitted no later than September 1, 2001, and
11 January 15, 2002, and a final report submitted not later than May 1, 2002.

12
13 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

14 **PLAN FOR CONSTRUCTION OF REGIONAL PSYCHIATRIC HOSPITAL**

15 **SECTION 21.68.(a)** The Secretary of the Department of Health and Human
16 Services shall, in consultation with the Department of Administration, plan for the
17 construction of a regional psychiatric hospital to provide acute psychiatric treatment
18 services for citizens of the State.

19 **SECTION 21.68.(b)** In developing this plan, the Secretary, in consultation
20 with the Office of the State Treasurer and the Department of Administration, shall
21 identify and recommend the most cost-effective means to finance construction of the
22 new State hospital. The Department shall also take into consideration the findings and
23 recommendations of the Government Performance Audit Committee (GPAC),
24 December 1992, MGT America Report of 1998, and the Report of the Office of the
25 State Auditor, April 1, 2000.

26 **SECTION 21.68.(c)** The Department of Health and Human Services shall
27 provide a progress report on December 1, 2001, and a final report not later than April 1,
28 2002, to the Joint Legislative Commission on Governmental Operations, the Senate
29 Appropriations Committee on Health and Human Services, the House of
30 Representatives Appropriations Subcommittee on Health and Human Services, and the
31 Fiscal Research Division.

32 **SECTION 21.68.(d)** The Department shall identify alternative locations for
33 the new hospital. The Department shall identify those alternative locations that
34 maximize existing State funds, access by clients, and efficiencies in service and
35 administration.

36
37 **SUBPART 6. CHILD DEVELOPMENT**

38
39 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

40 **CHILD CARE ALLOCATION FORMULA**

41 **SECTION 21.69.(a)** The Department of Health and Human Services shall
42 allocate child care subsidy funds to pay the costs of necessary child care for minor
43 children of needy families. The mandatory thirty percent (30%) Smart Start subsidy
44 allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's
45 child care subsidy allocation. The Department of Health and Human Services shall
46 apply the following formula to all federal and State child care funds:

- 47 (1) One-third of budgeted funds shall be distributed according to the
48 county's population in relation to the total population of the State.
- 49 (2) One-third of budgeted funds shall be distributed according to the
50 number of children under 6 years of age in a county who are living in
51 families whose income is below the State poverty level in relation to
52 the total number of children under 6 years of age in the State in
53 families whose income is below the poverty level.

- 1 (3) One-third of budgeted funds shall be distributed according to the
2 number of working mothers with children under 6 years of age whose
3 family income is below seventy-five percent (75%) of State median
4 income in a county in relation to the total number of working mothers
5 with children under 6 years of age whose family income is below
6 seventy-five percent (75%) of State median income in the State.

7 **SECTION 21.69.(b)** After the application of the formula in subsection (a) of
8 this section, the Department shall identify counties whose allocations exceed the prior
9 year expenditures for child care subsidies from all sources and shall apply the formula in
10 subsection (a) to allocate excess child care subsidy funds to counties based on need.

11 **SECTION 21.69.(c)** The Department of Health and Human Services may
12 reallocate unused child care subsidy funds in order to meet the child care needs of
13 low-income families.

14
15 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

16 **CHILD CARE FUNDS MATCHING REQUIREMENT**

17 **SECTION 21.70.** No local matching funds may be required by the
18 Department of Health and Human Services as a condition of any locality's receiving any
19 State child care funds appropriated by this act unless federal law requires such a match.
20 This shall not prohibit any locality from spending local funds for child care services.

21
22 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

23 **CHILD CARE REVOLVING LOAN**

24 **SECTION 21.71.** Notwithstanding any law to the contrary, funds budgeted
25 for the Child Care Revolving Loan Fund may be transferred to and invested by the
26 financial institution contracted to operate the Fund. The principal and any income to the
27 Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral
28 for borrowers, pay the contractor's cost of operating the Fund, or to pay the
29 Department's cost of administering the program.

30
31 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

32 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**

33 **SECTION 21.72.(a)** Administrative costs of the North Carolina Partnership
34 for Children, Inc., shall be equivalent to, on an average statewide basis for all local
35 partnerships, not more than eight percent (8%) of the total statewide allocation to all
36 local partnerships. What counts as administrative costs shall be as defined in the Smart
37 Start Performance Audit.

38 **SECTION 21.72.(b)** The North Carolina Partnership for Children, Inc., and
39 all local partnerships shall use competitive bidding practices in contracting for goods
40 and services on contract amounts as follows:

- 41 (1) For amounts of five thousand dollars (\$5,000) or less, the procedures
42 specified by a written policy to be developed by the Board of Directors
43 of the North Carolina Partnership for Children, Inc.;
- 44 (2) For amounts greater than five thousand dollars (\$5,000) but less than
45 fifteen thousand dollars (\$15,000), three written quotes;
- 46 (3) For amounts of fifteen thousand dollars (\$15,000) or more but less
47 than forty thousand dollars (\$40,000), a request for proposal process;
48 and
- 49 (4) For amounts of forty thousand dollars (\$40,000) or more, request for
50 proposal process and advertising in a major newspaper.

51 **SECTION 21.72.(c)** The North Carolina Partnership for Children, Inc., and
52 all local partnerships shall, in the aggregate, be required to match no less than fifty
53 percent (50%) of the total amount budgeted for the Program in each fiscal year of the

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

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

35 The North Carolina Partnership for Children, Inc., shall establish uniform
36 guidelines and reporting format for local partnerships to document the qualifying
37 expenses occurring at the contractor level. Local partnerships shall monitor qualifying
38 expenses to ensure they have occurred and meet the requirements prescribed in this
39 subsection.

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

48 **SECTION 21.72.(d)** Counties participating in the Program may use the
49 county's allocation of State and federal child care funds to subsidize child care
50 according to the county's Early Childhood Education and Development Initiatives Plan
51 as approved by the North Carolina Partnership for Children, Inc. The use of federal
52 funds shall be consistent with the appropriate federal regulations. Child care providers
53 shall, at a minimum, comply with the applicable requirements for State licensure

1 pursuant to Article 7 of Chapter 110 of the General Statutes, with other applicable
 2 requirements of State law or rule, including rules adopted for nonlicensed child care by
 3 the Social Services Commission, and with applicable federal regulations.

4 **SECTION 21.72.(e)** The Department of Health and Human Services shall
 5 continue to implement the performance-based evaluation system.

6
 7 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

8 **CHILD CARE SUBSIDY RATES**

9 **SECTION 21.73.(a)** G.S. 110-109 is repealed.

10 **SECTION 21.73.(b)** Subsection (d) of Section 11.27 of S.L. 2000-67 is
 11 repealed.

12 **SECTION 21.73.(c)** The maximum gross annual income for initial
 13 eligibility, adjusted biennially, for subsidized child care services shall be seventy-five
 14 percent (75%) of the State median income, adjusted for family size.

15 **SECTION 21.73.(d)** Fees for families who are required to share in the cost
 16 of care shall be established based on a percent of gross family income and adjusted for
 17 family size. Effective October 1, 2001, fees shall be determined as follows:

18 FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
19 1-3	10%
20 4-5	9%
21 6 or more	8%.

22 **SECTION 21.73.(e)** On or before September 30, 2001, payments for the
 23 purchase of child care services for low-income children shall be the same as would have
 24 resulted under Section 11.27 of S.L. 2000-67. Effective October 1, 2001, payments for
 25 the purchase of child care services for low-income children shall be in accordance with
 26 the following requirements:

- 27 (1) Religious-sponsored child care facilities operating pursuant to G.S.
 28 110-106 and licensed child care centers and homes that meet the
 29 minimum licensing standards that are participating in the subsidized
 30 child care program shall be paid the one-star county market rate or the
 31 rate they charge privately paying parents, whichever is lower.
- 32 (2) Religious-sponsored child care facilities operating pursuant to G.S.
 33 110-106 and licensed child care centers and homes that are receiving a
 34 higher rate than the market rates that will be implemented with this
 35 provision shall continue to receive that higher rate until September 30,
 36 2002.
- 37 (3) Licensed child care centers and homes with two or more stars shall
 38 receive the market rate for that rated license level for that age group or
 39 the rate they charge privately paying parents, whichever is lower.
- 40 (4) Nonlicensed homes shall receive fifty percent (50%) of the county
 41 market rate or the rate they charge privately paying parents, whichever
 42 is lower.
- 43 (5) Maximum payment rates shall also be calculated periodically by the
 44 Division of Child Development for transportation to and from child
 45 care provided by the child care provider, individual transporter, or
 46 transportation agency, and for fees charged by providers to parents.
 47 These payment rates shall be based upon information collected by
 48 market rate surveys.

49 **SECTION 21.73.(f)** Provision of payment rates for child care providers in
 50 counties who do not have at least 75 children in each age group for center-based and
 51 home-based care are as follows:

- 52 (1) Payment rates shall be set at the statewide market rate for licensed
 53 child care centers and homes.

- 1 (2) If it can be demonstrated that the application of the statewide market
2 rate to a county with fewer than 75 children in each age group is lower
3 than the county market rate and would inhibit the ability of the county
4 to purchase child care for low-income children, then the county market
5 rate may be applied.

6 **SECTION 21.73.(g)** 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 unsubsidized
9 privately paying parents for each age group of enrollees within the county. The
10 Division of Child Development shall also calculate a statewide market rate for each
11 rated license level for each age category. The Division of Child Development may also
12 calculate regional market rates for each rated license level for each age group and age
13 category.

14 **SECTION 21.73.(h)** Facilities licensed pursuant to Article 7 of Chapter 110
15 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate
16 in the program that provides for the purchase of care in child care facilities for minor
17 children of needy families. No separate licensing requirements shall be used to select
18 facilities to participate. In addition, child care facilities shall be required to meet any
19 additional applicable requirements of federal law or regulations. Child care
20 arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the
21 General Statutes shall meet the requirements established by other State law and by the
22 Social Services Commission.

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

27 **SECTION 21.73.(i)** Payment for subsidized child care services provided
28 with Work First Block Grant funds shall comply with all regulations and policies issued
29 by the Division of Child Development for the subsidized child care program.

30 **SECTION 21.73.(j)** Noncitizen families who reside in this State legally
31 shall be eligible for child care subsidies if all other conditions of eligibility are met. If
32 all other conditions of eligibility are met, noncitizen families who reside in this State
33 illegally shall be eligible for child care subsidies only if at least one of the following
34 conditions is met:

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

41
42 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee
43 **DIVISION OF CHILD DEVELOPMENT REORGANIZATION**

44 **SECTION 21.74.** The Department of Health and Human Services, Division
45 of Child Development shall reduce layers of management and streamline operations in
46 accordance with the following:

- 47 (1) Eliminate the Workforce Support and Consumer Outreach Section,
48 including positions and corresponding State appropriations, federal
49 funds, and other funds. Except that the Workforce Support, Criminal
50 Records Checks, and the Work Force Unit-Quality Improvement Units
51 shall be transferred to the Administration Section, including positions
52 and corresponding State appropriations, federal funds, and other funds.

- 1 (2) Eliminate the Program Integrity and Quality Assurance Section
 2 including positions and corresponding State appropriations, federal
 3 funds, and other funds.
 4 (3) Eliminate the Research and Policy Unit including positions and
 5 corresponding State appropriations, federal funds, and other funds.
 6

7 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

8 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**
 9 **ENHANCEMENTS**

10 **SECTION 21.75.(a)** The North Carolina Partnership for Children, Inc., and
 11 the Department of Health and Human Services shall immediately develop and
 12 implement the following:

- 13 (1) Policies to ensure Early Childhood Education and Development
 14 Initiatives funds are allocated to child care programs, providers, and
 15 services that serve low-income children.
 16 (2) Policies to ensure the allocation of all State and federal funds to the
 17 neediest child care providers with priority given from the lowest
 18 licensure rating to the highest.
 19 (3) Policies to ensure the elimination of local duplication and increased
 20 efficiency in the administration of child care subsidy funds, including
 21 the following:
 22 a. The Department and the Partnership shall ensure that only one
 23 administrative entity per local partnership administers child care
 24 subsidy funds.
 25 b. The Department, in consultation with the local partnerships and
 26 counties, shall contract with the most efficient and effective
 27 entity to administer subsidy funds.
 28 c. At no time shall the Department and a local partnership allow
 29 the duplicative administration of State and federal child care
 30 subsidy funds through subcontracts.
 31 (4) Policies and procedures to ensure the unduplicated compilation of
 32 children served through State and federal child care subsidy funds.
 33 (5) Policies and procedures to ensure the timely, accurate, and consistent
 34 reporting of information on local child care subsidy waiting lists
 35 statewide.

36 **SECTION 21.75.(b)** In consultation with the Department of Public
 37 Instruction and the North Carolina Partnership for Children, Inc., the Department of
 38 Health and Human Services shall develop and implement policies and procedures to
 39 ensure that local partnerships that allocate funds to child care providers receiving State
 40 and federal child care funds plan and coordinate with their local education agencies the
 41 following:

- 42 (1) Preschool curriculum development and selection.
 43 (2) Kindergarten transition activities.
 44 (3) Other activities needed to ensure that children transitioning from child
 45 care settings to kindergarten enter school ready to succeed.

46 **SECTION 21.75.(c)** The Department of Health and Human Services, in
 47 consultation with North Carolina Partnership for Children, Inc., and the Office of State
 48 Budget and Management, shall develop a separate NCPC, Early Childhood Education
 49 and Development Initiative Program budget, within the Division of Child Development
 50 fund code for the purpose of segregating all expenditures related to the administration
 51 and operation of the statewide Smart Start program.

52 **SECTION 21.75.(d)** The Department of Health and Human Services and the
 53 North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds

1 for Early Childhood Education and Development Initiatives for State fiscal year
2 2001-2002 shall be administered and distributed in the following manner:

- 3 (1) Effective for fiscal year 2001-2002, each Local Partnership's total
4 allocation shall be reduced as follows:
5 a. For local partnerships first funded in 1993-94 fiscal year, the
6 allocation shall be reduced by five percent (5%).
7 b. For local partnerships first funded in 1994-95 fiscal year, the
8 allocation shall be reduced by three and one-half percent
9 (3.5%).
10 c. For local partnerships first funded in 1996-97 fiscal year, the
11 allocation shall be reduced by three and one-half percent
12 (3.5%).
13 d. For local partnerships first funded in 1997-98 fiscal year, the
14 allocation shall be reduced by three and one-half percent
15 (3.5%).
16 e. For local partnerships first funded in 1998-99 fiscal year, the
17 allocation shall be reduced in accordance with a policy to be
18 developed by the North Carolina Partnership for Children, Inc.,
19 in conjunction with the Department of Health and Human
20 Services.
21 (2) North Carolina Partnership for Children, Inc., administration shall be
22 reduced by fifteen percent (15%) from the 2000-2001 fiscal year level.
23 (3) Department of Health and Human Services, Division of Child
24 Development, Smart Start administration shall be reduced by ten
25 percent (10%) from the 2000-2001 fiscal year level.
26 (4) Capital expenditures and equipment expenditures are prohibited for
27 fiscal year 2001-2002. For the purposes of this section, "capital
28 expenditures" means expenditures for capital improvements as defined
29 in G.S. 143-34.40.

30 **SECTION 21.75.(e)** The allocation of fiscal year 2000-2001 State
31 carryforward funds is prohibited, and all fiscal year 2000-2001 unspent funds shall
32 revert to the General Fund.

33 **SECTION 21.75.(f)** With the exception of child care subsidy funds, at no
34 time shall the North Carolina Partnership for Children, Inc., approve local partnership
35 plans which allocate State funds to child care providers, programs, or services in the
36 following circumstances:

- 37 (1) Child care facilities with licensure of four or five stars, unless the
38 expenditure of funds is to expand capacity for low-income children.
39 (2) Child care facilities that do not accept child care subsidy funds.
40 (3) Child care facilities that previously received quality improvement
41 grants whose quality initiatives failed to increase licensure.

42 **SECTION 21.75.(g)** G.S. 143B-168.15(f) is repealed.

43 **SECTION 21.75.(h)** G.S. 143B-168.12(a)(9) is repealed.

44
45 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

46 **EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES**
47 **EVALUATION**

48 **SECTION 21.76.** Of the funds appropriated to the Department of Health and
49 Human Services, Division of Child Development for the 2001-2002 fiscal year for the
50 evaluation of the Early Childhood Education and Development Initiatives, no more than
51 five hundred thousand dollars (\$500,000) may be used for evaluation of the Initiatives.
52 The funds shall be used as follows:

- 1 (1) Evaluation of the Early Childhood Education and Development
2 Initiatives, including the ongoing review of quality child care efforts
3 and child care providers' progress in preparing children to be ready to
4 enter school and succeed.
- 5 (2) Continuation of technical assistance to local partnerships in data
6 collection and evaluation. This assistance shall end by July 1, 2002.
- 7 (3) Transitioning of local partnerships' data compilation responsibilities to
8 the Department of Health and Human Services.
- 9 (4) No more than five percent (5%) shall be used for the contractor's
10 administrative overhead.

11 **SUBPART 7. SERVICES FOR THE BLIND**

12 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

13 **CONSOLIDATION AND TRANSFER OF PROGRAM FUNDS IN THE 14 DIVISION OF SERVICES FOR THE BLIND**

15 **SECTION 21.77.** The Division of Services for the Blind may consolidate
16 the operating budgets for the Medical Eye Care Program and the Independent Living
17 Services Program. The Division shall continue to provide all services currently
18 provided by the Medical Eye Care Program and the Independent Living Services
19 Program.
20
21

22 **SUBPART 8. VOCATIONAL REHABILITATION**

23 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

24 **ELIGIBILITY FOR VOCATIONAL REHABILITATION AND INDEPENDENT 25 LIVING SERVICES**

26 **SECTION 21.78.(a)** The Department of Health and Human Services shall
27 compare the income eligibility standards for Vocational Rehabilitation and Independent
28 Living Services to the income eligibility standards for Vocational Rehabilitation and
29 Independent Living Services in other states.

30 **SECTION 21.78.(b)** The Department of Health and Human Services shall
31 develop a plan for maximizing resources for Independent Living Services to ensure that
32 services are targeted to the most financially needy persons.

33 **SECTION 21.78.(c)** The Department of Health and Human Services shall
34 develop a plan for maximizing resources for Vocational Rehabilitation Services to
35 ensure services are provided for low-income persons, the developmentally disabled, and
36 Work First recipients who otherwise qualify for Vocational Rehabilitation Services.

37 **SECTION 21.78.(d)** The Department of Health and Human Services shall
38 report on the activities required by this section no later than March 1, 2002, to the
39 Senate Appropriations Committee on Health and Human Services, the House of
40 Representatives Appropriations Subcommittee on Health and Human Services, and the
41 Fiscal Research Division.
42
43
44

45 **SUBPART 9. EARLY INTERVENTION AND EDUCATION**

46 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

47 **MAXIMIZATION OF RECEIPTS FOR EARLY INTERVENTION PROGRAMS**

48 **SECTION 21.79.** The Department of Health and Human Services, Division
49 of Public Health, area mental health, developmental disabilities, and substance abuse
50 services programs, and local health departments shall maximize receipts for the
51 evaluation and services provided by the Developmental Evaluation Centers and through
52 Early Intervention programs. The Division shall maximize receipts from Health
53

1 Choice, Medicaid, and other third-party payers. All receipts collected shall remain
2 within the Division and shall be used to offset appropriations for operations of the
3 Developmental Evaluation Centers and Early Intervention services.

4
5 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

6 **CREATE OFFICE OF EDUCATION SERVICES**

7 **SECTION 21.80.(a)** G.S. 143B-146.22 is repealed.

8 **SECTION 21.80.(b)** The Division of Early Intervention and Education is
9 dissolved and an Office of Education Services is created within the Department of
10 Health and Human Services. The purpose of this office is to manage the Schools for the
11 Deaf, the Governor Morehead School for the Blind, and their preschool components.
12 The Office shall have a Superintendent and appropriate staff to manage these schools.
13 The purpose of the Office is to improve student academic and postsecondary outcomes
14 and to strengthen collaborative relationships with local education agencies and with the
15 State Board of Education.

16 **SECTION 21.80.(c)** The Early Intervention program, including all positions
17 and the corresponding State appropriations, federal funds, and other funds that were in
18 the Early Intervention program as of January 1, 2001, are transferred from the Division
19 of Early Intervention and Education to the Division of Public Health, Women's and
20 Children's Health Section.

21 **SECTION 21.80.(d)** The Developmental Evaluation Centers, including all
22 positions and the corresponding State appropriations, federal funds, and other funds, are
23 transferred from the Division of Early Intervention and Education to the Division of
24 Public Health, Women's and Children's Health Section.

25 **SECTION 21.80.(e)** The Governor Morehead School preschool program,
26 including all positions and the corresponding State appropriations, federal funds, and
27 other funds, is transferred from the Division of Early Intervention and Education to the
28 Governor Morehead School.

29 **SECTION 21.80.(f)** The Department of Health and Human Services shall
30 make the necessary organization changes effective immediately and the budget
31 adjustments by October 1, 2001.

32
33 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

34 **CLOSURE OF CENTRAL NORTH CAROLINA SCHOOL FOR THE DEAF AT**
35 **GREENSBORO**

36 **SECTION 21.81.(a)** The Department of Health and Human Services shall
37 immediately close the Central North Carolina School for the Deaf at Greensboro. The
38 Department of Administration shall develop a plan to dispose of the property used by
39 the Central North Carolina School for the Deaf and shall report on this plan by October
40 1, 2001, to the Joint Legislative Commission on Governmental Operations and the
41 Fiscal Research Division.

42 **SECTION 21.81.(b)** G.S. 143B-146.21(b) and (c) read as rewritten:

43 "(b) The Secretary of Health and Human Services shall adopt policies and offer
44 training opportunities to ensure that personnel who provide direct services to children in
45 the ~~three~~ State schools for the deaf become proficient in sign language within two years
46 of their initial date of employment or within two years of the effective date of this act,
47 whichever occurs later. This subsection shall not apply to preschool personnel in any
48 oral, auditory, or cued speech preschool.

49 (c) The Department of Public Instruction, the Board of Governors of The
50 University of North Carolina, and the State Board of Community Colleges shall offer
51 and communicate the availability of professional development opportunities, including
52 those to improve sign language skills, to the personnel assigned to the State's residential
53 schools, particularly the Governor Morehead School and the ~~three~~ schools for the deaf."

1 **SECTION 21.81.(c)** G.S. 143B-216.40 reads as rewritten:

2 "**§ 143B-216.40. Establishment; operations.**

3 There are established, and there shall be maintained, the following schools for the
4 deaf: the Eastern North Carolina School for the Deaf at Wilson (~~K-12~~); ~~the Central~~
5 ~~North Carolina School for the Deaf at Greensboro (K-8),(K-12)~~ and the North Carolina
6 School for the Deaf at Morganton (K-12). The Department of Health and Human
7 Services shall be responsible for the operation and maintenance of the schools.

8 The Board of Directors of the North Carolina Schools for the Deaf shall advise the
9 Department and shall adopt rules and regulations concerning the schools as provided in
10 G.S. 115C-124 and 143B-173."

11 **SECTION 21.81.(d)** G.S. 143B-146.2(a) reads as rewritten:

12 "(a) The Governor Morehead School and the ~~three~~ schools for the deaf shall
13 participate in the ABC's Program. The Secretary, in consultation with the General
14 Assembly and the State Board, may designate other residential schools that must
15 participate in the ABC's Program. The primary goal of the ABC's Program is to improve
16 student performance. The Program is based upon an accountability, recognition,
17 assistance, and intervention process in order to hold each participating school, its
18 superintendent, and the instructional personnel accountable for improved student
19 performance in that school."

20 **SECTION 21.81.(e)** G.S. 143B-216.32(a) reads as rewritten:

21 "(a) The Council for the Deaf and the Hard of Hearing shall consist of 23
22 members. Fifteen members shall be members appointed by the Governor. Three
23 members appointed by the Governor shall be persons who are deaf and three members
24 shall be persons who are hard of hearing. One appointment shall be an educator who
25 trains deaf education teachers and one appointment shall be an audiologist licensed
26 under Article 22 of Chapter 90 of the General Statutes. Three appointments shall be
27 parents of deaf or hard of hearing children including one parent of a student in a
28 residential school; one parent of a student in a preschool program; and one parent of a
29 student in a mainstream education program, with ~~each~~ at least one parent coming from a
30 ~~different~~ each region of the ~~three~~ North Carolina schools for the deaf regions. One
31 member appointed by the Governor shall be recommended by the President of the North
32 Carolina Association of the Deaf; one member shall be recommended by the President
33 of the North Carolina Pediatric Society; one member shall be recommended by the
34 President of the North Carolina Registry of Interpreters for the Deaf; and one member
35 shall be nominated by the Superintendent of Public Instruction. One member shall be
36 appointed from the House of Representatives by the Speaker of the House of
37 Representatives and one member shall be appointed from the Senate by the President
38 Pro Tempore of the Senate. The Secretary of Health and Human Services shall appoint
39 six members as follows: one from the Division of Vocational Rehabilitation, one from
40 the Division of Aging, one from the Division of Mental Health, Developmental
41 Disabilities, and Substance Abuse Services, one from the Division of Social Services,
42 one from a North Carolina Chapter of SHHH (Self Help for the Hard of Hearing), and
43 one from SPEAK (Statewide Parents' Education and Advocacy for Kids)."

44
45 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

46 **CLOSURE OF EASTERN NORTH CAROLINA SCHOOL FOR THE DEAF AT**
47 **WILSON AND THE NORTH CAROLINA SCHOOL FOR THE DEAF AT**
48 **MORGANTON**

49 **SECTION 21.82.(a)** The Department of Health and Human Services shall
50 close the North Carolina School for the Deaf at Morganton and the Eastern North
51 Carolina School for the Deaf at Wilson no later than June 30, 2003.

52 **SECTION 21.82.(b)** The Department of Health and Human Services and the
53 Department of Public Instruction shall plan for the closure of the two schools for the

1 deaf during the 2001-2002 State fiscal year. The Department of Health and Human
2 Services, in consultation with the Department of Public Instruction, the appropriate
3 local education agencies, and the families of the affected students, shall develop a
4 transition plan to mainstream all students into the appropriate local school effective for
5 the 2003-2004 school year. The Department shall report on this plan to the Joint
6 Legislative Commission on Governmental Operations not later than February 1, 2002.

7 **SECTION 21.82.(c)** The Department of Health and Human Services, Office
8 of Education Services and Division of Mental Health, Developmental Disabilities, and
9 Substance Abuse Services, shall develop a transition plan for those deaf students who
10 are seriously emotionally disturbed for placing them in an appropriate setting.

11 **SECTION 21.82.(c1)** The Department shall determine which children, if
12 any, cannot reasonably and appropriately be served in their local school systems. To the
13 extent those cases exist, in conjunction with the affected school systems and with the
14 parents or guardians of those children, the Department shall prepare a plan by which
15 those children can receive reasonable and appropriate services. To the extent that a plan
16 cannot be developed through which any of these children can be reasonably and
17 appropriately served within their local school systems, the Department shall present a
18 detailed proposal for serving these children. The report shall be submitted not later than
19 February 1, 2002, to the Senate Appropriations Committee on Health and Human
20 Services, the House of Representatives Appropriations Subcommittee on Health and
21 Human Services, and the Fiscal Research Division.

22 **SECTION 21.82.(d)** The Department of Administration shall develop a plan
23 for disposing of the property used by the schools for the deaf.

24 **SECTION 21.82.(e)** Effective July 1, 2003, Part 30 of Article 3 of Chapter
25 143B of the General Statutes is repealed.

26 **SECTION 21.82.(f)** Effective July 1, 2003, G.S. 143B-146.2(a), as amended
27 by Section 21.81(d) of this act, reads as rewritten:

28 "(a) The Governor Morehead School ~~and the schools for the deaf~~ shall participate
29 in the ABC's Program. The Secretary, in consultation with the General Assembly and
30 the State Board, may designate other residential schools that must participate in the
31 ABC's Program. The primary goal of the ABC's Program is to improve student
32 performance. The Program is based upon an accountability, recognition, assistance, and
33 intervention process in order to hold each participating school, its superintendent, and
34 the instructional personnel accountable for improved student performance in that
35 school."

36 **SECTION 21.82.(g)** Effective July 1, 2003, G.S. 143B-216.32(a), as
37 amended by Section 21.81(e) of this act, reads as rewritten:

38 "(a) The Council for the Deaf and the Hard of Hearing shall consist of 23
39 members. Fifteen members shall be members appointed by the Governor. Three
40 members appointed by the Governor shall be persons who are deaf and three members
41 shall be persons who are hard of hearing. One appointment shall be an educator who
42 trains deaf education teachers and one appointment shall be an audiologist licensed
43 under Article 22 of Chapter 90 of the General Statutes. Three appointments shall be
44 ~~parents of deaf or hard of hearing children including one parent of a student in a~~
45 ~~residential school; one parent of a student in a preschool program; and one parent of a~~
46 ~~student in a mainstream education program, with at least one parent coming from each~~
47 ~~region of the North Carolina schools for the deaf regions.children.~~ One member
48 appointed by the Governor shall be recommended by the President of the North
49 Carolina Association of the Deaf; one member shall be recommended by the President
50 of the North Carolina Pediatric Society; one member shall be recommended by the
51 President of the North Carolina Registry of Interpreters for the Deaf; and one member
52 shall be nominated by the Superintendent of Public Instruction. One member shall be
53 appointed from the House of Representatives by the Speaker of the House of

1 Representatives and one member shall be appointed from the Senate by the President
2 Pro Tempore of the Senate. The Secretary of Health and Human Services shall appoint
3 six members as follows: one from the Division of Vocational Rehabilitation, one from
4 the Division of Aging, one from the Division of Mental Health, Developmental
5 Disabilities, and Substance Abuse Services, one from the Division of Social Services,
6 one from a North Carolina Chapter of SHHH (Self Help for the Hard of Hearing), and
7 one from SPEAK (Statewide Parents' Education and Advocacy for Kids)."

8 **SECTION 21.82.(h)** Effective July 1, 2003, G.S. 114-4.2F reads as
9 rewritten:

10 **"§ 114-4.2F. Designation of attorney specializing in the law of the handicapped.**

11 The Attorney General is authorized to designate from his staff an attorney to
12 specialize in the law of the handicapped. The attorney so designated shall act as advisor
13 to the Division of Vocational Rehabilitation, the Division of Services for the Deaf and
14 the Hard of Hearing, ~~the North Carolina School for the Deaf and the Governor~~
15 ~~Morehead School.~~"

16
17 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

18 **CLOSING OF PRESCHOOL PROGRAMS FOR THE DEAF**

19 **SECTION 21.83.** Effective October 1, 2001, the Department of Health and
20 Human Services shall close the State-operated preschool programs for the deaf. The
21 Department of Health and Human Services, the Division of Public Health, the Office of
22 Education Services, the Division of Child Development, and the Department of Public
23 Instruction shall develop a transition plan for the appropriate placement of the children
24 located at these preschool sites. The transition plan shall include an assessment of the
25 available resources to meet the needs of the children.

26
27 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

28 **EARLY INTERVENTION PILOTS**

29 **SECTION 21.84.(a)** The Department of Health and Human Services,
30 Division of Public Health shall not expand the Student Information Management
31 System pilot program statewide during the 2001-2002 fiscal year. The Department shall
32 maintain, evaluate, and improve the three pilot projects implemented in the 2000-2001
33 fiscal year, and provide a report on the status of the system to the Senate Appropriations
34 Committee on Health and Human Services, the House of Representatives
35 Appropriations Subcommittee on Health and Human Services, and the Fiscal Research
36 Division by October 1, 2001. The report shall include the status of the operations of the
37 database, a plan for statewide expansion, and the costs associated with the expansion.

38 **SECTION 21.84.(b)** The Department of Health and Human Services shall
39 not expand the regional interdisciplinary pilots during the 2001-2002 fiscal year.

40
41 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

42 **EVALUATION OF EARLY INTERVENTION SYSTEM**

43 **SECTION 21.85.(a)** The Department of Health and Human Services,
44 Division of Public Health, shall determine the reasons why children are waiting for
45 evaluation services provided by the Developmental Evaluation Centers. The Division
46 shall develop an action plan to reduce the waiting period for evaluation services.

47 **SECTION 21.85.(b)** The Department of Health and Human Services,
48 Division of Public Health, shall determine the reasons why children and their families
49 are waiting for services that follow the evaluation process. The Division shall identify
50 the specific services that children are waiting for and develop a plan to address the
51 waiting period.

52 **SECTION 21.85.(c)** The Department of Health and Human Services,
53 Division of Public Health, shall assess ways in which to create efficiencies among the

1 therapies that are provided within the Early Intervention Program, Children With
2 Special Health Services program, and other programs. The Division shall also evaluate
3 ways to combine early intervention services provided by the Developmental Evaluation
4 Centers, regional therapists, local health departments, and area mental health,
5 developmental disabilities, and substance abuse authorities to gain efficiencies.

6 **SECTION 21.85.(d)** Not later than December 1, 2001, the Department of
7 Health and Human Services shall report to the Senate Appropriations Committee on
8 Health and Human Services, the House of Representatives Appropriations
9 Subcommittee on Health and Human Services, and the Fiscal Research Division on the
10 assessment and plans of action for all of the above.

11 **SUBPART 10. PUBLIC HEALTH**

12
13
14 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

15 **IMMUNIZATION PROGRAM RESTITUTION POLICY**

16 **SECTION 21.86.** Part 2 of Article 6 of Chapter 130A of the General
17 Statutes is amended by adding the following new section to read:

18 "**§ 130A-158. Restitution required when vaccine spoiled due to provider negligence.**

19 Immunization program providers shall be liable for restitution to the State for the
20 cost of replacement vaccine when vaccine in the provider's inventory has become
21 spoiled or unstable due to the provider's negligence and unreasonable failure to properly
22 handle or store the vaccine."

23
24 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

25 **IMMUNIZATION PROGRAM FUNDING**

26 **SECTION 21.87.(a)** Of the funds appropriated in this act to the Department
27 of Health and Human Services for childhood immunization programs for positions,
28 operating support, equipment, and pharmaceuticals, the sum of up to one million dollars
29 (\$1,000,000) for the 2001-2002 fiscal year and the sum of one million dollars
30 (\$1,000,000) for the 2002-2003 fiscal year may be used for projects and activities that
31 are also designed to increase childhood immunization rates in North Carolina. These
32 projects and activities shall include the following:

- 33 (1) Outreach efforts at the State and local levels to improve service
34 delivery of vaccines. Outreach efforts may include educational
35 seminars, media advertising, support services to parents to enable
36 children to be transported to clinics, longer operating hours for clinics,
37 and mobile vaccine units; and
- 38 (2) Continued development of an automated immunization registry.

39 **SECTION 21.87.(b)** Funds authorized to be used for immunization efforts
40 under subsection (a) of this section shall not be used to fund additional State positions
41 or contracts in the Department of Health and Human Services.

42
43 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee, Rand

44 **PRESCRIPTION DRUG ASSISTANCE PROGRAM**

45 **SECTION 21.88.** Of the funds appropriated in this act to the Department of
46 Health and Human Services, the sum of five hundred thousand dollars (\$500,000) for
47 the 2001-2002 fiscal year and the sum of five hundred thousand dollars (\$500,000) for
48 the 2002-2003 fiscal year shall be used to pay the cost of outpatient prescription drugs
49 for persons:

- 50 (1) Over the age of 65 years and not eligible for full Medicaid benefits;
- 51 (2) Whose income is not more than one hundred fifty percent (150%) of
52 the federal poverty level; and
- 53 (3) Who have been diagnosed with cardiovascular disease or diabetes.

1 These funds shall be used to pay the cost of outpatient prescription drugs for the
2 treatment of cardiovascular disease or diabetes. Payment shall be not more than the
3 Medicaid cost including rebates. The Department shall develop criteria to maximize the
4 efficient and effective distribution of these drugs.

5
6 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee, Dannelly

7 **ADOLESCENT PREGNANCY PREVENTION INITIATIVES**

8 **SECTION 21.89.(a)** The title of Part 6 of Article 5 of Chapter 130A of the
9 General Statutes reads as rewritten:

10 "~~Part 6. Adolescent Teen Pregnancy Prevention Projects-Prevention.~~"

11 **SECTION 21.89.(b)** G.S. 130A-131.15 is repealed.

12 **SECTION 21.89.(c)** Part 6 of Article 5 of Chapter 130A of the General
13 Statutes is amended by adding a new section to read:

14 "**§ 130A-131.15A. Department to establish program.**

15 (a) The Department shall establish and administer Teen Pregnancy Prevention
16 Initiatives. The Department shall establish initiatives for primary prevention, secondary
17 prevention, and special projects.

18 (b) The Commission shall adopt rules necessary to implement this section. The
19 rules shall include a maximum annual funding level for initiatives and a requirement for
20 local match.

21 (c) Initiatives shall be funded in accordance with selection criteria established by
22 the Commission. The Department shall make funding recommendations to the
23 Commission. The Commission shall make the final determination of which initiatives
24 are to be funded.

25 (d) Initiatives shall be funded on a four-year funding cycle. At the end of four
26 years of funding, a local initiative shall be eligible to reapply for funding.

27 (e) Administrative costs in implementing this section shall not exceed ten percent
28 (10%) of the total funds administered pursuant to this section.

29 (f) The Department shall evaluate funded initiatives on a two-year cycle and
30 shall report its finding to the Commission, the Joint Legislative Commission on
31 Government Operations, and the House of Representatives and Senate Chairs of the
32 Appropriations Subcommittees on Health and Human Services by April 1 of odd-
33 numbered years. The evaluation shall be conducted by a firm or individual external to
34 the Department. The evaluation shall include a study of the effectiveness of the
35 initiative in reducing the pregnancy rate in the target population."

36 **SECTION 21.89.(d)** The Department of Health and Human Services shall
37 administer the Adolescent Pregnancy Prevention Program, the Adolescent Parenting
38 Program, and the TANF-funded pregnancy prevention projects pursuant to the
39 provisions of G.S. 130A-131.15A.

40
41 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

42 **AIDS DRUG ASSISTANCE PROGRAM(ADAP)**

43 **SECTION 21.90.(a)** The Department shall develop a comprehensive
44 information management system on AIDS/HIV clients receiving services from the
45 State. The Department may use up to fifty thousand dollars (\$50,000) of the funds
46 appropriated in this act to implement this information management system. This
47 information management system shall be patterned after the information management
48 system used by the Elderly Drug Assistance Program, shall provide instantaneous
49 internal access to information, and shall include information on the following:

- 50 (1) Program usage patterns of ADAP participants, including, but not
51 limited to, frequency of prescription purchases, types of medications
52 prescribed, and the cost of prescribed medications on a monthly basis.

- 1 (2) Demographics of participants in the program, including the age,
2 gender, race, ethnicity, and county of residence of participants.

3 The Department shall also develop a plan for promoting patient adherence to
4 physician treatment recommendations. In developing the plan, the Department shall
5 identify ways of obtaining information without interfering with physician-patient
6 confidentiality. The Department shall report on this plan to the members of the House of
7 Representatives Appropriations Subcommittee on Health and Human Services, the
8 Senate Appropriations Committee on Health and Human Services, and the Fiscal
9 Research Division not later than May 1, 2002.

10 **SECTION 21.90.(b)** For the 2001-2002 fiscal year and for the 2002-2003
11 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five
12 percent (125%) of the federal poverty level are eligible for participation in ADAP.
13 Eligibility for participation in ADAP during the 2001-2003 fiscal biennium may be
14 extended to individuals with incomes up to one hundred fifty percent (150%) of the
15 federal poverty level only after the Office of State Budget and Management certifies in
16 writing that the Department has developed an information management system pursuant
17 to subsection (a) of this section. Until the Office of State Budget and Management
18 makes this certification, eligibility for participation in ADAP during the 2001-2003
19 fiscal biennium shall not be extended to individuals with incomes above one hundred
20 twenty-five percent (125%) of the federal poverty level. All individuals who are
21 eligible for participation in ADAP shall be served by the Department of Health and
22 Human Services. If sufficient funds are not available from funds allocated to ADAP,
23 the Department of Health and Human Services shall transfer available funds from other
24 programs within the Department to meet the funding needs of ADAP.

25 **SECTION 21.90.(c)** The Department of Health and Human Services shall
26 make an interim report by January 1, 2002, and a final report by April 30, 2002, to the
27 Senate Appropriations Committee on Health and Human Services, the House of
28 Representatives Appropriations Subcommittee on Health and Human Services, and the
29 Fiscal Research Division on ADAP. The reports shall include the following:

- 30 (1) Monthly data on total cumulative AIDS/HIV cases reported in North
31 Carolina.
32 (2) Monthly data on the number of individuals who have applied to
33 participate in ADAP that have been determined to be ineligible.
34 (3) Monthly data on the income level of participants in ADAP and of
35 individuals who have applied to participate in ADAP who have been
36 determined to be ineligible.
37 (4) Monthly data on fiscal year-to-date expenditures of ADAP. The
38 interim report shall contain monthly data on the calendar year-to-date
39 expenditures of ADAP.
40 (5) An update on the status of the information management system.
41 (6) Monthly data on ADAP usage patterns and demographics of
42 participants in ADAP.
43 (7) Estimated participation rates and costs if eligibility for participation in
44 ADAP were raised to one hundred seventy-five percent (175%) of the
45 federal poverty level or to two hundred percent (200%) of the federal
46 poverty level.
47 (8) Fiscal year-to-date budget information.

48 **SECTION 21.90.(d)** The Department of Health and Human Services shall
49 revise its policy regarding determination of eligibility to require all applications for
50 participation in ADAP to be reviewed for eligibility determination by the Purchase of
51 Medical Care Unit of the Program Benefits and Payment Section of the Office of the
52 State Controller. The Department shall track all applications for participation in ADAP

1 in order to make the reports required under subsection (c) of this section. This policy
2 applies to all applications made in physician offices or other settings.
3

4 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

5 **DIVISION OF PUBLIC HEALTH REORGANIZATION**

6 **SECTION 21.91.(a)** The Department of Health and Human Services shall
7 reduce layers of management and streamline operations as follows:

8 (1) Create a Section of Financial Management and Support. The
9 Department shall consolidate all budgeting, purchasing, contract
10 oversight, and computer networking personnel into this section. The
11 Department shall transfer all positions, corresponding State
12 appropriations, federal funds, and other related funds into this section.
13 At no time shall the Department allow the Division of Public Health to
14 maintain nonprogram positions within the other sections of the
15 Division.

16 (2) Eliminate the Oral Health Section, effective July 1, 2001. All
17 positions, corresponding State appropriations, federal funds, and other
18 related funds shall be transferred to the Women and Children's Health
19 Section.

20 a. The Division shall evaluate the services currently provided by
21 staff and identify opportunities for efficiencies by combining
22 any of the educational functions of staff with the school health
23 program within the Women's and Children's Health Section.

24 b. The Division shall identify ways to maximize Dentist I
25 positions by looking at ways to provide direct children's
26 services through these dentists, or redirecting these funds to
27 develop demonstration efforts that will provide additional
28 dental services for individuals.

29 (3) Consolidate all nurse consultant positions across the Division of Public
30 Health sections into the Local Health Services Section. The
31 Department shall transfer corresponding State appropriations, federal
32 funds, and any other related funds into the Local Health Services
33 Section. The Department shall further combine activities among nurse
34 consultants to ensure that positions will function as generalists for the
35 provision of services to local health departments.

36 (4) Consolidate and transfer all health educator positions across Division
37 of Public Health sections into an existing section. The Department
38 shall transfer corresponding State appropriations, federal funds, and
39 any other related funds into that section. The Department shall ensure
40 that these positions will function as generalists for the provision of
41 educational services for the State and local health departments.

42 **SECTION 21.91.(b)** All functions of the Oral Health Section shall be
43 continued unless contrary to sound health policy. The Public Health Division shall
44 maintain at least the same levels of visibility and viability for oral health functions as
45 under the Oral Health Section. The elimination of the Oral Health Section shall not
46 impair the Public Health Division's ability to access and participate in federal contracts.

47 **SECTION 21.91.(c)** The Department shall establish a new permanent
48 full-time position in the Division of Public Health for Local Health Services section
49 chief. The Department shall not contract for this position.

50 **SECTION 21.91.(d)** Not later than October 1, 2001, the Department shall
51 report to the Senate Appropriations Committee on Health and Human Services, the
52 House of Representatives Appropriations Subcommittee on Health and Human

1 Services, and the Fiscal Research Division on the reorganization activities required
2 under this section.

3
4 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

5 **STATE LABORATORY**

6 **SECTION 21.92.(a)** The Department of Health and Human Services, Office
7 of the State Controller, shall develop a five-year equipment replacement schedule for
8 the State Laboratory. The purpose of the schedule is to have an objective plan for
9 medical laboratory equipment replacement to plan for current and future year's budget
10 requirements.

11 **SECTION 21.92.(b)** The Department shall assess the various services that
12 the State Laboratory provides and address the feasibility of contracting for additional
13 services. The Department shall prepare a cost-benefit analysis of providing services
14 in-house versus contracting out for services.

15 **SECTION 21.92.(c)** The Department shall assess the current fees and fee
16 methodology for laboratory services to determine if fees are set at the appropriate levels.
17 The Department shall identify new ways to set fees that incorporate the fully allocated
18 cost of laboratory equipment and the full costs of operations. The Department may
19 implement a revised fee schedule to reflect the full cost of operations including
20 equipment replacement.

21 **SECTION 21.92.(d)** Not later than March 1, 2002, the Department of Health
22 and Human Services shall report to the Senate Appropriations Committee on Health and
23 Human Services, the House of Representatives Appropriations Subcommittee on Health
24 and Human Services, and the Fiscal Research Division on the implementation of this
25 section.

26
27 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

28 **ENHANCEMENT OF STATE CENTER FOR HEALTH STATISTICS**

29 **SECTION 21.93.(a)** The State Center for Health Statistics is transferred to
30 the Office of the Secretary of the Department of Health and Human Services and is
31 renamed the "Center for Health and Human Services Statistics and Information." The
32 purpose of the Center is to provide primary statistical analyses and information for the
33 Department, members of the public, and support of all of the Divisions of the
34 Department. The Center shall collect, compile, manage, and report data for the public
35 and the Department. The Secretary shall transfer all information management, database
36 management, and other related positions from throughout the divisions, except for the
37 Division of Information Resource Management and other systems management
38 personnel, and shall transfer corresponding State appropriations, federal funds, and
39 other funds to establish and expand the Center. The Department shall do the following:

- 40 (1) Determine the feasibility of transferring existing database contracts to
41 the Center. All future statistical analyses and information projects will
42 be first made available to the Center for the right of first refusal.
- 43 (2) Determine the feasibility of creating a unit in the Center to more
44 efficiently and effectively manage database and information contracts
45 for the entire Department.
- 46 (3) Consult with the Center in planning any management information
47 systems.
- 48 (4) Evaluate the feasibility of operating the center as an internal service
49 fund budget.

50 The Department shall submit a progress report to the Senate Appropriations Committee
51 on Health and Human Services, the House of Representatives Appropriations
52 Subcommittee on Health and Human Services, and the Fiscal Research Division on the
53 implementation of this section no later than October 1, 2001, and a final report on

1 March 1, 2002. The report shall include an assessment of the current statistical analysis
2 functions for each Division and determine the resources (staff and appropriations) that
3 would be suitable for transfer into the Center. The inventory shall include an assessment
4 of all current contracts for database management, data collection, and analyses, and
5 shall determine the total amount of funds currently involved with these efforts. The final
6 report shall include an implementation plan for carrying out the provisions of this
7 section.

8 **SECTION 21.93.(b)** Article 15 of Chapter 130A of the General Statutes
9 reads as rewritten:

10 "Article 15.

11 "~~State Center for Health Statistics and Human Services Statistics and Information.~~

12 "**§ 130A-371. State Center for Health and Human Services Statistics and**
13 **Information established.**

14 ~~A State~~ The Center for Health and Human Services Statistics and Information is
15 established within the Department. The purpose of the Center for Health and Human
16 Services Statistics and Information is to provide primary statistical analysis and
17 information for health and human services, members of the public, and support for all
18 Divisions of the Department.

19 "**§ 130A-372. Definitions.**

20 The following definitions shall apply throughout this Article:

- 21 (1) 'Health data' means information relating to the health status of
22 individuals, the availability of health resources and services, and the
23 use and cost of these resources and services. The term shall not include
24 vital records registered under the provisions of Article 4 of this
25 Chapter.
26 (2) 'Medical records' means health data relating to the diagnosis or
27 treatment of physical or mental ailments of individuals. "

28 "**§ 130A-373. Authority and duties.**

29 (a) ~~The State~~ The State Center for Health and Human Services Statistics and Information is
30 authorized to:

- 31 (1) Collect, maintain and analyze health data on:
32 a. The extent, nature and impact of illness and disability on the
33 population of the State;
34 b. The determinants of health and health hazards;
35 c. Health resources, including the extent of available work power
36 and resources;
37 d. Utilization of health care;
38 e. Health care costs and financing; and
39 f. Other health or health-related matters; and
40 (2) Undertake and support research, demonstrations and evaluations
41 respecting new or improved methods for obtaining data.

42 (b) ~~The State~~ The State Center for Health and Human Services Statistics and Information
43 may collect health data on behalf of other governmental or nonprofit organizations.

44 (c) ~~The State~~ The State Center for Health and Human Services Statistics and Information
45 shall collect data only on a voluntary basis except when there is specific legal authority
46 to compel mandatory reporting of the health data. In collecting health data on a
47 voluntary basis, the State Center for Health and Human Services Statistics and
48 Information shall give the person a statement in writing:

- 49 (1) That the data is being collected on a voluntary basis and that the
50 person is not required to respond; and
51 (2) The purposes for which the health data is being collected.

1 (d) Subject to the provisions of G.S. 130A-374, the ~~State~~ Center for Health and
2 Human Services Statistics and Information may share health data with other persons,
3 agencies and organizations.

4 (e) The ~~State~~ Center for Health and Human Services Statistics and Information
5 shall:

- 6 (1) Take necessary action to assure that statistics developed under this
7 Article are of high quality, timely and comprehensive, as well as
8 specific and adequately analyzed and indexed; and
- 9 (2) Publish, make available and disseminate statistics on as wide a basis as
10 practical.

11 (f) The ~~State~~ Center for Health and Human Services Statistics and Information
12 shall coordinate health data activities within the State in order to eliminate unnecessary
13 duplication of data collection and to maximize the usefulness of data collected by:

- 14 (1) Participating with State and local agencies in the design and
15 implementation of a cooperative system for producing comparable and
16 uniform health information and statistics at the State and local levels;
17 and
- 18 (2) Undertaking and supporting research, development, demonstration and
19 evaluation respecting the cooperative system.

20 "**§ 130A-374. Security of health data.**

21 (a) Medical records of individual patients shall be confidential and shall not be
22 public records open to inspection. The ~~State~~ Center for Health and Human Services
23 Statistics and Information may disclose medical records of individual patients which
24 identify the individual described in the record only if:

- 25 (1) The individual described in the medical record has authorized the
26 disclosure; or
- 27 (2) The disclosure is for bona fide research purposes. The Commission
28 shall adopt rules providing for the use of the medical records for
29 research purposes.

30 (b) The ~~State~~ Center for Health and Human Services Statistics and Information
31 shall take appropriate measures to protect the security of health data collected by the
32 Center, including:

- 33 (1) Limiting the access to health data to authorized individuals who have
34 received training in the handling of this data;
- 35 (2) Designating a person to be responsible for physical security; and
- 36 (3) Developing and implementing a system for monitoring security."

37 **SECTION 21.93.(c)** The Secretary shall review the requirements of the
38 medical records privacy regulations under the Health Insurance Portability and
39 Accountability Act of 1996 (HIPAA) to avoid duplication of effort in complying with
40 that Act and this section.

41
42 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

43 **PUBLIC HEALTH PREVENTION ACTIVITIES REPORT**

44 **SECTION 21.94.** The Department of Health and Human Services, Division
45 of Public Health, shall conduct an inventory of its activities in the prevention of infant
46 mortality and birth defects. The Department shall conduct a comprehensive assessment
47 of these activities to identify all in-house activities and contracted activities and shall
48 include the following:

- 49 (1) Program or service title and description;
- 50 (2) Number of clients served, if applicable;
- 51 (3) State appropriations, federal funds, and other funds involved with the
52 program or service; and

- 1 (4) To the extent possible include Smart Start health programs and
2 services, and identify other nonprofit organizations' activities.

3 The Department shall report on the information required under this section to
4 the Senate Appropriations Committee on Health and Human Services, the House of
5 Representatives Appropriations Subcommittee on Health and Human Services, and the
6 Fiscal Research Division by March 1, 2002.

7
8 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee, Warren
9 **HEART DISEASE AND STROKE PREVENTION TASK FORCE**

10 **SECTION 21.95.** The Heart Disease and Stroke Prevention Task Force,
11 created in subsection (l) of Section 26.9 of Chapter 507 of the 1995 Session Laws, as
12 amended, shall submit to the Governor and the General Assembly a sixth interim report
13 within the first week of the convening of the 2001 General Assembly, 2002 Regular
14 Session, and a seventh interim report within the first week of the convening of the 2003
15 General Assembly. Notwithstanding Section 11.57 of S.L. 1999-237, the Task Force
16 shall submit a final report by June 30, 2003, and, upon submission of its final report to
17 the Governor and the General Assembly, the Task Force shall expire.

18
19 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee
20 **NEWBORN HEARING SCREENING PROGRAM REPORT**

21 **SECTION 21.96.** The Department of Health and Human Services shall
22 report the following information on the newborn hearing screening program:

- 23 (1) Unduplicated number of infants screened.
24 (2) Number of infants who failed the second hearing screening.
25 (3) Number of infants receiving the diagnostic evaluation.
26 (4) Number and types of services provided.
27 (5) Number and types of follow-up services provided to children.

28 The Department shall submit the report not later than May 1, 2002, to the Senate
29 Appropriations Committee on Health and Human Services, the House of
30 Representatives Appropriations Subcommittee on Health and Human Services, and the
31 Fiscal Research Division.

32
33 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee
34 **INTENSIVE HOME VISITING**

35 **SECTION 21.97.(a)** The Department of Health and Human Services,
36 Division of Public Health, shall not contract for evaluation, technical assistance, or any
37 other activity for the Intensive Home Visiting Program during the 2001-2002 fiscal
38 year. The Division shall continue to collect and manage data collected by nurses and
39 visitors on program activities. The Division shall collect the necessary information on
40 participants to allow future tracking of these participants and facilitate a future
41 longitudinal study for the purposes of determining program effectiveness.

42 **SECTION 21.97.(b)** The Division shall require in-home visitors to collect
43 data on program participants as a condition of participation. This requirement shall
44 include six-month periodic assessments and completion of the questionnaires. The
45 Department shall ensure that the collection, maintenance, use, and disclosure of data
46 complies with applicable State and federal law protecting privacy of health and other
47 individual information. By April 1, 2002, the Division shall report to the Senate
48 Appropriations Committee on Health and Human Services and the House of
49 Representatives Appropriations Subcommittee on Health and Human Services on the
50 following items:

- 51 (1) Number of clients/families enrolled per county.
52 (2) Attrition and reasons why families leave the program.
53 (3) Average number of home visits per month.

- 1 (4) Average time involved per home visit.
- 2 (5) Baseline family characteristics.
- 3 (6) Health behaviors.
- 4 (7) Perinatal and birth outcomes.
- 5 (8) Other relevant outcome information.

6 All program information shall include the identification of the model used in order to
7 compare these models in the future.

8
9 Requested by: Senators Martin of Guilford, Plyler, Odom, Lee

10 ACCESS TO ORAL HEALTH CARE

11 **SECTION 21.98.** Of the funds appropriated in this act to the Department of
12 Health and Human Services, Division of Medical Assistance, the sum of seven million
13 five hundred thousand dollars (\$7,500,000) for the 2001-2002 fiscal year and the sum of
14 seven million five hundred thousand dollars (\$7,500,000) for the 2002-2003 fiscal year
15 shall be used to provide enhanced reimbursement to dentists whose practice consists of
16 a significant number of Medicaid-eligible children or Medicaid-eligible elderly or
17 disabled adults, or who provide outreach services to underserved Medicaid-eligible
18 populations as follows:

- 19 (1) Dentists who can demonstrate one or more of the following shall be
20 reimbursed at one hundred percent (100%) of the eightieth percentile
21 of charges as determined by the National Dental Advisory Service
22 (NDAS) for Medicaid-covered services:
 - 23 a. An increase in Medicaid-covered dental services provided by
24 the dentist to Medicaid-eligible children or Medicaid-eligible
25 adults as of fiscal year 2000-2001 as compared to the average of
26 the Medicaid services provided by that dentist during fiscal
27 years 1998-99 and 1999-2000.
 - 28 b. The number of Medicaid-eligible children or Medicaid-eligible
29 adult patients served by the dentist during fiscal year 2000-2001
30 is at least 20.
 - 31 c. Dental services are provided to indigent persons or
32 Medicaid-eligible patients who are residents, inmates, or clients
33 of an adult care home, hospital long-term care unit, a State
34 facility listed in G.S. 122C-181, a State correctional facility, a
35 local health department, a nonprofit community health center, a
36 school-based health center, or an indigent health care clinic,
37 regardless of the number of Medicaid patients served in
38 previous fiscal years.
 - 39 d. The dentist continuously utilizes a system of care coordination
40 for Medicaid-eligible patients. The dentist must demonstrate
41 that the care coordination system is effective in educating and
42 assisting Medicaid-eligible patients to engage in preventive oral
43 health care and to keep dental appointments. The care
44 coordination may be a function of the dentist's internal
45 operations or may be provided through a contract provider.
- 46 (2) Medicaid-covered services provided by a dentist to Medicaid-eligible
47 children or Medicaid-eligible elderly or disabled adults from a mobile
48 dental unit in any of the locations listed in sub-subdivision (1)c. of this
49 subsection shall be reimbursed at one hundred percent (100%) of the
50 eighty-fifth percentile of charges as determined by the National Dental
51 Advisory Service (NDAS).

52 PART XXII. JUDICIAL DEPARTMENT

1
2 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

3 **TRANSFER OF EQUIPMENT AND SUPPLY FUNDS**

4 **SECTION 22.1.** Funds appropriated to the Judicial Department in the
5 2001-2003 biennium for equipment and supplies shall be certified in a reserve account.
6 The Administrative Office of the Courts may transfer these funds to the appropriate
7 programs and between programs as the equipment priorities and supply consumptions
8 occur during the operating year. These funds shall not be expended for any other
9 purpose.

10
11 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

12 **REPORT ON COMMUNITY MEDIATION CENTERS**

13 **SECTION 22.2.** Article 5 of Chapter 7A of the General Statutes is amended
14 by adding a new section to read:

15 **"§ 7A-38.6. Report on community mediation centers.**

16 (a) All community mediation centers currently receiving State funds shall report
17 annually to the Mediation Network of North Carolina on the program's funding and
18 activities, including:

- 19 (1) Types of dispute settlement services provided;
- 20 (2) Clients receiving each type of dispute settlement service;
- 21 (3) Number and type of referrals received, cases actually mediated, cases
22 resolved in mediation, and total clients served in the cases mediated;
- 23 (4) Total program funding and funding sources;
- 24 (5) Itemization of the use of funds, including operating expenses and
25 personnel;
- 26 (6) Itemization of the use of State funds appropriated to the center;
- 27 (7) Level of volunteer activity; and
- 28 (8) Identification of future service demands and budget requirements.

29 The Mediation Network of North Carolina shall compile and summarize the
30 information provided pursuant to this subsection and shall provide the information to
31 the Chairs of the House of Representatives and Senate Appropriations Committees and
32 the Chairs of the House of Representatives and Senate Appropriations Subcommittees
33 on Justice and Public Safety by February 1 of each year.

34 (b) A community mediation center requesting State funds for the first time shall
35 provide the General Assembly with the information enumerated in subsection (a) of this
36 section, or projections where historical data are not available, as well as a detailed
37 statement justifying the need for State funding.

38 (c) Each community mediation center receiving State funds for the first time
39 shall document in the information provided pursuant to this section that, after the second
40 year of receiving State funds, at least ten percent (10%) of total funding comes from
41 non-State sources.

42 (d) Each community mediation center receiving State funds for the third, fourth,
43 or fifth year shall document that at least twenty percent (20%) of total funding comes
44 from non-State sources.

45 (e) Each community mediation center receiving State funds for six or more years
46 shall document that at least fifty percent (50%) of total funding comes from non-State
47 sources.

48 (f) Each community mediation center currently receiving State funds that has
49 achieved a funding level from non-State sources greater than that provided for that
50 center by subsection (c), (d), or (e) of this section shall make a good faith effort to
51 maintain that level of funding.

52 (g) The percentage that State funds comprise of the total funding of each
53 community mediation center shall be determined at the conclusion of each fiscal year

1 with the information provided pursuant to this section and is intended as a funding ratio
 2 and not a matching funds requirement. Community mediation centers may include the
 3 market value of donated office space, utilities, and professional legal and accounting
 4 services in determining total funding.

5 (h) A community mediation center having difficulty meeting the funding ratio
 6 provided for that center by subsection (c), (d), or (e) of this section may request a
 7 waiver or special consideration through the Mediation Network of North Carolina for
 8 consideration by the Senate and House of Representatives Appropriations
 9 Subcommittees on Justice and Public Safety.

10 (i) The provisions of G.S. 143-31.4 do not apply to community mediation
 11 centers receiving State funds."

12
 13 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

14 **SENTENCING SERVICES REPORT**

15 **SECTION 22.3.** The Judicial Department shall report to the Chairs of the
 16 Senate and House of Representatives Appropriations Committees and the Chairs of the
 17 Senate and House Appropriations Subcommittees on Justice and Public Safety by April
 18 1, 2002, on the effectiveness of the Sentencing Services Program under structured
 19 sentencing and the criminal case docketing system. The report shall include:

- 20 (1) Data on the number of plans prepared, the recommendations included
 21 in those plans, the actual sentences imposed in those cases, and an
 22 analysis of the extent to which plans are accepted or rejected by
 23 judges;
- 24 (2) Data on the number of plans initiated but not presented to the court,
 25 including the reason the plan was not completed or presented; and
- 26 (3) The results of a survey on the impact of sentencing plans on judicial
 27 decisions, to be conducted by the Research, Planning, and Budget
 28 Development Section of the Judicial Department or another entity
 29 separate from the Sentencing Services Program. The survey shall
 30 include superior court judges, district attorneys, public defenders, and
 31 defense attorneys.

32
 33 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

34 **ELIMINATE VACANT SUPERIOR COURT JUDGESHIP IN DISTRICT 4B**

35 **SECTION 22.4.** G.S. 7A-41(a) reads as rewritten:

36 "(a) The counties of the State are organized into judicial divisions and superior
 37 court districts, and each superior court district has the counties, and the number of
 38 regular resident superior court judges set forth in the following table, and for districts of
 39 less than a whole county, as set out in subsection (b) of this section:

40	Judicial	Superior		No. of Resident
41	Division	Court	Counties	Judges
42		District		
43				
44	First	1	Camden, Chowan,	2
45			Currituck,	
46			Dare, Gates,	
47			Pasquotank,	
48			Perquimans	
49	First	2	Beaufort, Hyde,	1
50			Martin,	
51			Tyrrell, Washington	
52	First	3A	Pitt	2
53	Second	3B	Carteret, Craven,	2

1			Pamlico	
2	Second	4A	Duplin, Jones,	1
3			Sampson	
4	Second	4B	Onslow	$\frac{21}{3}$
5	Second	5	New Hanover,	3
6			Pender	
7	First	6A	Halifax	1
8	First	6B	Bertie, Hertford,	1
9			Northampton	
10	First	7A	Nash	1
11	First	7B	(part of Wilson,	1
12			part of Edgecombe,	
13			see subsection (b))	
14	First	7C	(part of Wilson,	1
15			part of Edgecombe,	
16			see subsection (b))	
17	Second	8A	Lenoir and Greene	1
18	Second	8B	Wayne	1
19	Third	9	Franklin, Granville,	2
20			Vance, Warren	
21	Third	9A	Person, Caswell	1
22	Third	10A	(part of Wake,	2
23			see subsection (b))	
24	Third	10B	(part of Wake,	2
25			see subsection (b))	
26	Third	10C	(part of Wake,	1
27			see subsection (b))	
28	Third	10D	(part of Wake,	1
29			see subsection (b))	
30	Fourth	11A	Harnett,	1
31			Lee	
32	Fourth	11B	Johnston	1
33	Fourth	12A	(part of Cumberland,	1
34			see subsection (b))	
35	Fourth	12B	(part of Cumberland,	1
36			see subsection (b))	
37	Fourth	12C	(part of Cumberland,	2
38			see subsection (b))	
39	Fourth	13	Bladen, Brunswick,	2
40			Columbus	
41	Third	14A	(part of Durham,	1
42			see subsection (b))	
43	Third	14B	(part of Durham,	3
44			see subsection (b))	
45	Third	15A	Alamance	2
46	Third	15B	Orange, Chatham	1
47	Fourth	16A	Scotland, Hoke	1
48	Fourth	16B	Robeson	2
49	Fifth	17A	Rockingham	2
50	Fifth	17B	Stokes, Surry	2
51	Fifth	18A	(part of Guilford,	1
52			see subsection (b))	
53	Fifth	18B	(part of Guilford,	1

1			see subsection (b))	
2	Fifth	18C	(part of Guilford,	1
3			see subsection (b))	
4	Fifth	18D	(part of Guilford,	1
5			see subsection (b))	
6	Fifth	18E	(part of Guilford,	1
7			see subsection (b))	
8	Sixth	19A	Cabarrus	1
9	Fifth	19B1	(part of Montgomery,	1
10			part of Moore,	
11			part of Randolph	
12			see subsection (b))	
13	Fifth	19B2	(part of Montgomery,	1
14			part of Moore,	
15			part of Randolph	
16			see subsection (b))	
17	Sixth	19C	Rowan	1
18	Sixth	20A	Anson,	1
19			Richmond	
20	Sixth	20B	Stanly, Union	2
21	Fifth	21A	(part of Forsyth,	1
22			see subsection (b))	
23	Fifth	21B	(part of Forsyth,	1
24			see subsection (b))	
25	Fifth	21C	(part of Forsyth,	1
26			see subsection (b))	
27	Fifth	21D	(part of Forsyth,	1
28			see subsection (b))	
29	Sixth	22	Alexander, Davidson,	3
30			Davie, Iredell	
31	Fifth	23	Alleghany, Ashe,	1
32			Wilkes, Yadkin	
33	Eighth	24	Avery, Madison,	1
34			Mitchell,	
35			Watauga, Yancey	
36	Seventh	25A	Burke, Caldwell	2
37	Seventh	25B	Catawba	2
38	Seventh	26A	(part of Mecklenburg,	2
39			see subsection (b))	
40	Seventh	26B	(part of Mecklenburg,	2
41			see subsection (b))	
42	Seventh	26C	(part of Mecklenburg,	2
43			see subsection (b))	
44	Seventh	27A	Gaston	2
45	Seventh	27B	Cleveland, Lincoln	2
46	Eighth	28	Buncombe	2
47	Eighth	29	Henderson,	2
48			McDowell, Polk,	
49			Rutherford,	
50			Transylvania	
51	Eighth	30A	Cherokee, Clay,	1
52			Graham, Macon,	
53			Swain	

1 Eighth 30B Haywood, Jackson 1."

2
3 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

4 **BUSINESS COURT**

5 **SECTION 22.5.** The Administrative Office of the Courts shall report to the
6 Chairs of the Senate and House of Representatives Appropriations Committees and the
7 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
8 Justice and Public Safety by April 1 of each year on the activities of the North Carolina
9 Business Court, including the number of cases heard by the court and the number of
10 court sessions held outside of Superior Court District 18.

11
12 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

13 **ELIMINATE UNNECESSARY OR OBSOLETE REPORTS**

14 **SECTION 22.6.(a)** G.S. 7A-348 reads as rewritten:

15 "**§ 7A-348. Training and supervision of assistants for administrative and victim
16 and witness services.**

17 Pursuant to the provisions of G.S. 7A-413, the Conference of District Attorneys
18 shall:

- 19 (1) Assist in establishing uniform statewide training for assistants for
20 administrative and victim and witness services; and
- 21 (2) Assist in the implementation and supervision of this ~~program; and~~
22 program.
- 23 (3) ~~With the Director of the Administrative Office of the Courts, report~~
24 ~~annually to the Joint Legislative Commission on Governmental~~
25 ~~Operations on the implementation and effectiveness of this act,~~
26 ~~beginning on or before February 1, 1987."~~

27 **SECTION 22.6.(b)** G.S. 143-170.4 reads as rewritten:

28 "**§ 143-170.4. Administrative Office of the Courts; publications procedures
29 manual; reports.**

30 Not later than June 1, 1990, the Administrative Office of the Courts, after review of
31 the Department of Administration's state publications procedures guidelines and after
32 consultation with the State Librarian and State Auditor, shall adopt (i) a publications
33 procedures manual for public documents, other than the official reports of the North
34 Carolina Supreme Court and the North Carolina Court of Appeals and official forms
35 published by the Administrative Office of the Courts pursuant to G.S. 7A-343, that
36 addresses the elements of publication production described in G.S. 143-170.2 and (ii) an
37 administrative review and approval process to ensure appropriate review and approval
38 of its public documents. The initial guidelines and the administrative review and
39 approval process shall be reported to the Joint Legislative Commission on
40 Governmental Operations by January 1, 1991, and revisions thereto shall be reported to
41 ~~the Joint Legislative Commission on Governmental Operations within six months of~~
42 ~~adoption. January 1, 1991."~~

43 **SECTION 22.6.(c)** G.S. 143-589 reads as rewritten:

44 "**§ 143-589. Legislative and judicial branch safety and health programs.**

45 The Legislative Services Commission and the Administrative Office of the Courts
46 are authorized to separately establish safety and health programs for their employees.
47 ~~The Administrative Office of the Courts shall report annually to the Joint Legislative~~
48 ~~Commission on Governmental Operations on its safety and health activities with respect~~
49 ~~to its program."~~

50
51 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

52 **COLLECTION OF WORTHLESS CHECKS FUND**

1 **SECTION 22.7.** Notwithstanding the provisions of G.S. 7A-308(c), the
2 Judicial Department may use any balance remaining in the Collection of Worthless
3 Checks Fund on June 30, 2001, for the purchase or repair of office or information
4 technology equipment during the 2001-2002 fiscal year. Prior to using any funds under
5 this section, the Judicial Department shall report to the Joint Legislative Commission on
6 Governmental Operations and the Chairs of the Senate and House of Representatives
7 Appropriations Subcommittees on Information Technology on the equipment to be
8 purchased or repaired and the reasons for the purchases.
9

10 Requested by: Senators Jordan, Dannelly, Ballance, Plyler, Odom, Lee
11 **AUTHORIZE FAMILY DRUG TREATMENT COURTS TO SERVE**
12 **ADDICTED PARENTS OF ABUSED AND NEGLECTED CHILDREN AND**
13 **TO SERVE SUBSTANCE-ABUSING JUVENILE OFFENDERS WHO COME**
14 **UNDER THE COURTS' JURISDICTION**

15 **SECTION 22.8.(a)** G.S. 7A-791 reads as rewritten:

16 **"§ 7A-791. Purpose.**

17 The General Assembly recognizes that a critical need exists in this State for ~~criminal~~
18 ~~justice system~~ judicial programs that will reduce the incidence of ~~drug use and alcohol~~
19 ~~and other drug abuse or dependence~~ drug addiction and crimes ~~crimes, delinquent acts,~~
20 ~~and child abuse and neglect committed as a result of drug use~~ alcohol and other drug
21 ~~abuse or dependence, and drug addiction, and child abuse and neglect where alcohol~~
22 ~~and other drug abuse or dependence are significant factors in the child abuse and~~
23 ~~neglect.~~ It is the intent of the General Assembly by this Article to create a program to
24 facilitate the creation of local drug treatment court programs."

25 **SECTION 22.8.(b)** G.S. 7A-792 reads as rewritten:

26 **"§ 7A-792. Goals.**

27 The goals of the drug treatment court programs funded under this Article include the
28 following:

- 29 (1) To reduce alcoholism and other drug dependencies among ~~offenders;~~
30 adult and juvenile offenders and defendants and among respondents in
31 juvenile petitions for abuse, neglect, or both;
- 32 (2) To reduce ~~criminal and delinquent recidivism;~~ recidivism and the
33 incidence of child abuse and neglect;
- 34 (3) To reduce the alcohol-related and other drug-related court workload;
- 35 (4) To increase the personal, familial, and societal accountability of
36 ~~offenders; adult and juvenile offenders and defendants and respondents~~
37 in juvenile petitions for abuse, neglect, or both; and
- 38 (5) To promote effective interaction and use of resources among criminal
39 and juvenile justice ~~personnel~~ personnel, child protective services
40 personnel, and community agencies."

41 **SECTION 22.8.(c)** G.S. 7A-793 reads as rewritten:

42 **"§ 7A-793. Establishment of Program.**

43 The North Carolina Drug Treatment Court Program is established in the
44 Administrative Office of the Courts to facilitate the creation and funding of local drug
45 treatment court programs. The Director of the Administrative Office of the Courts shall
46 provide any necessary staff for planning, organizing, and administering the program.
47 Local drug treatment court programs funded pursuant to this Article shall be operated
48 consistently with the guidelines adopted pursuant to G.S. 7A-795. Local drug treatment
49 court programs established and funded pursuant to this Article may consist of adult drug
50 treatment court programs, juvenile drug treatment court programs, family drug
51 treatment court programs, or any combination of these programs."

52 **SECTION 22.8.(d)** G.S. 7A-795 reads as rewritten:

53 **"§ 7A-795. State Drug Treatment Court Advisory Committee.**

1 The State Drug Treatment Court Advisory Committee is established to develop and
 2 recommend to the Director of the Administrative Office of the Courts guidelines for the
 3 drug treatment court program and to monitor local programs wherever they are
 4 implemented. The Committee shall be chaired by the Director or the Director's designee
 5 and shall consist of not less than seven members appointed by the Director and broadly
 6 representative of the courts, law enforcement, corrections, juvenile justice, child
 7 protective services, and substance abuse treatment communities. In developing
 8 guidelines, the Advisory Committee shall consider the Substance Abuse and the Courts
 9 Action Plan and other recommendations of the Substance Abuse and the Courts State
 10 Task Force."

11 **SECTION 22.8.(e)** G.S. 7A-796 reads as rewritten:

12 "**§ 7A-796. Local drug treatment court management committee.**

13 Each judicial district choosing to establish a drug treatment court shall form a local
 14 drug treatment court management committee, which shall be comprised to assure
 15 representation appropriate to the type or types of drug treatment court operations to be
 16 conducted in the district and shall consist of persons consisting of the following persons,
 17 appointed by the senior resident superior court judge with the concurrence of the chief
 18 district court judge and the district attorney for that district: district, chosen from the
 19 following list:

- 20 (1) A judge of the superior court;
 21 (2) A judge of the district court;
 22 (3) A district attorney or assistant district attorney;
 23 (4) A public defender or assistant public defender in judicial districts
 24 served by a public defender;
 25 (5) An attorney representing a county department of social services within
 26 the district;
 27 (6) A representative of the guardian ad litem program;
 28 (5) (7) A member of the private criminal defense bar;
 29 (8) A member of the private bar who represents respondents in department
 30 of social services juvenile matters;
 31 (6) (9) A clerk of superior court;
 32 (7) (10) The trial court administrator in judicial districts served by a trial court
 33 administrator;
 34 (11) The director or member of the child welfare services division of a
 35 county department of social services within the district;
 36 (12) The chief juvenile court counselor for the district;
 37 (8) (13) A probation officer;
 38 (9) (14) A local law enforcement officer;
 39 (15) A representative of the local school administrative unit;
 40 (10) (16) A representative of the local community college;
 41 (11) (17) A representative of the treatment providers;
 42 (18) A representative of the area mental health program;
 43 (12) (19) The local program director provided for in G.S. 7A-798; and
 44 (13) (20) Any other persons selected by the local management committee.

45 The local drug treatment court management committee shall develop local
 46 guidelines and procedures, not inconsistent with the State guidelines, that are necessary
 47 for the operation and evaluation of the local drug treatment court."

48 **SECTION 22.8.(f)** G.S. 7A-799 reads as rewritten:

49 "**§ 7A-799. Treatment not guaranteed.**

50 Nothing contained in this Article shall confer a right or an expectation of a right to
 51 treatment for a defendant or offender within the criminal or juvenile justice system.
 52 system or a respondent in a juvenile petition for abuse, neglect, or both."

53 **SECTION 22.8.(g)** G.S. 7A-800 reads as rewritten:

"§ 7A-800. Payment of costs of treatment program.

Each ~~defendant or defendant, offender~~ offender, or respondent in a juvenile petition for abuse, neglect, or both, who receives treatment under a local drug treatment court program shall contribute to the cost of the substance alcohol and other drug abuse or dependency treatment received in the drug treatment court program, based upon guidelines developed by the local drug treatment court management committee."

SECTION 22.8.(h) This section shall not be construed to obligate the General Assembly to appropriate funds to implement the provisions of this section.

SECTION 22.8.(i) This section becomes effective October 1, 2001.

Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

TRANSFER OF FUNDS TO OFFICE OF INDIGENT DEFENSE SERVICES

SECTION 22.9. In the event that requirements for payments to assigned counsel exceed available funds in the Office of Indigent Defense Services during the 2001-2002 fiscal year, the Judicial Department shall transfer to the Office of Indigent Defense Services up to the sum of one million five hundred thousand dollars (\$1,500,000) in funds available to pay those additional amounts. The Office of Indigent Defense Services and the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations prior to any transfer of funds authorized by this section.

Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

NORTH CAROLINA STATE BAR FUNDS

SECTION 22.10. Of the funds appropriated in the continuation budget as a grant-in-aid to the North Carolina State Bar for the 2001-2003 biennium, the North Carolina State Bar may in its discretion use up to the sum of five hundred ninety thousand dollars (\$590,000) for the 2001-2002 fiscal year and up to the sum of five hundred ninety thousand dollars (\$590,000) for the 2002-2003 fiscal year to contract with the Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants.

Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

ASSISTANT PUBLIC DEFENDER LONGEVITY/OFFICE OF INDIGENT DEFENSE SERVICES CORRECTIONS

SECTION 22.11.(a) Section 49 of S.L. 2000-144 reads as rewritten:

"Section 49. Except as otherwise provided in this Part, this act becomes effective July 1, 2001. G.S. 7A-498, 7A-498.1, 7A-498.2, 7A-498.4, 7A-498.5, ~~and 7A-498.6, and 7A-498.7(g)~~, as enacted in Section 1 of this act, are effective when they become law; however, except as otherwise provided in this Part, no rules, standards, or other regulations issued by the Commission on Indigent Defense Services, and no decisions regarding the actual delivery of services shall take effect prior to July 1, 2001, and all authority over the expenditure of funds shall remain with the Director of the Administrative Office of the Courts prior to that date. The Commission shall be responsible for the expenditure of funds for all cases pending on or after July 1, 2001."

SECTION 22.11.(b) Section 13 of S.L. 2000-144 reads as rewritten:

"Section 13. Effective July 1, 2000, G.S. 7A-467(d) is repealed. Effective July 1, 2001, G.S. 7A-459, 7A-465, 7A-466, ~~7A-467~~, 7A-467(a), 7A-467(b), 7A-467(c), 7A-467(e), 7A-467(f), 7A-467(g), 7A-469, 7A-470, 7A-471, 7A-486, 7A-486.1, 7A-486.2, 7A-486.3, 7A-486.4, 7A-486.5, 7A-486.6, and 7A-486.7 are repealed."

SECTION 22.11.(c) G.S. 7A-498.7 is amended by adding three new subsections to read:

"(i) A public defender may apply to the Director of the Administrative Office of the Courts to enter into contracts with local governments for the provision by the State

1 of services of temporary assistant public defenders pursuant to G.S. 153A-212.1 or G.S.
2 160A-289.1.

3 (j) The Director of the Administrative Office of the Courts may provide
4 assistance requested pursuant to subsection (i) of this section only upon a showing by
5 the requesting public defender, supported by facts, that the overwhelming public interest
6 warrants the use of additional resources for the speedy disposition of cases involving
7 drug offenses, domestic violence, or other offenses involving a threat to public safety.

8 (k) The terms of any contract entered into with local governments pursuant to
9 subsection (i) of this section shall be fixed by the Director of the Administrative Office
10 of the Courts in each case. Nothing in this section shall be construed to obligate the
11 General Assembly to make any appropriation to implement the provisions of this
12 section or to obligate the Administrative Office of the Courts to provide the
13 administrative costs of establishing or maintaining the positions or services provided for
14 under this section. Further, nothing in this section shall be construed to obligate the
15 Administrative Office of the Courts to maintain positions or services initially provided
16 for under this section."

17
18 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

19 **OFFICE OF INDIGENT DEFENSE SERVICES REPORT**

20 **SECTION 22.12.** The Office of Indigent Defense Services shall report to the
21 Chairs of the Senate and House of Representatives Appropriations Committees and the
22 Chairs of the Senate and House Representatives Appropriations Subcommittees on
23 Justice and Public Safety by March 1 of each year on:

- 24 (1) The volume and cost of cases handled in each district by assigned
25 counsel or public defenders;
- 26 (2) Actions taken by the Office to improve the cost-effectiveness and
27 quality of indigent defense, including the capital case program;
- 28 (3) Plans for changes in rules, standards, or regulations in the upcoming
29 year; and
- 30 (4) Any recommended changes in law or funding procedures that would
31 assist the Office in improving the management of funds expended for
32 indigent defense services.

33
34 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

35 **ASSISTANT PUBLIC DEFENDERS/PUBLIC DEFENDER OFFICE**
36 **PERSONNEL**

37 **SECTION 22.13.(a)** From funds appropriated to the Indigent Persons'
38 Attorney Fee Fund for the 2001-2003 biennium, the Office of Indigent Defense Services
39 may use up to the sum of two hundred thirty-eight thousand eight hundred eighty-four
40 dollars (\$238,884) for the 2001-2002 fiscal year and up to the sum of two hundred
41 twenty-four thousand three hundred sixteen dollars (\$224,316) for the 2002-2003 fiscal
42 year for salaries, benefits, equipment, and related expenses to establish up to three new
43 assistant public defender positions in districts with existing public defender programs.

44 **SECTION 22.13.(b)** From funds appropriated to the Indigent Persons'
45 Attorney Fee Fund for the 2001-2003 biennium, the Office of Indigent Defense Services
46 may use up to the sum of one hundred seventy thousand one hundred forty-five dollars
47 (\$170,145) for the 2001-2002 fiscal year and up to the sum of one hundred fifty-four
48 thousand nine hundred twenty-three dollars (\$154,923) for the 2002-2003 fiscal year for
49 salaries, benefits, equipment, and related expenses to establish up to three new legal
50 assistant, paralegal, investigator, or administrative assistant positions in districts with
51 existing public defender programs.

52 **SECTION 22.13.(c)** Prior to establishing any new positions under this
53 section, the Office of Indigent Defense Services shall report to the Joint Legislative

1 Commission on Governmental Operations on the positions to be established and the
2 locations of those positions.
3

4 Requested by: Senators Jordan, Clodfelter, Ballance, Plyler, Odom, Lee, Rand

5 **DEDICATE A PORTION OF COURT COSTS TO PROVIDE ACCESS TO**
6 **CIVIL JUSTICE**

7 **SECTION 22.14.(a)** G.S. 7A-304(a)(4) reads as rewritten:

8 "(4) For support of the General Court of Justice, the sum of sixty-five
9 dollars (\$65.00) in the district court, including cases before a
10 magistrate, and the sum of seventy-two dollars (\$72.00) in the superior
11 court, to be remitted to the State Treasurer. The State Treasurer shall
12 remit the sum of one dollar and fifteen cents (\$1.15) of each fee
13 collected under this subdivision to the North Carolina State Bar for the
14 provision of services described in G.S. 7A-474.4."

15 **SECTION 22.14.(b)** G.S. 7A-305(a)(2) reads as rewritten:

16 "(2) For support of the General Court of Justice, the sum of fifty-nine
17 dollars (\$59.00) in the superior court, and the sum of forty-four dollars
18 (\$44.00) in the district court except that if the case is assigned to a
19 magistrate the sum shall be thirty-three dollars (\$33.00). Sums
20 collected under this ~~subsection~~ subdivision shall be remitted to the
21 State Treasurer. The State Treasurer shall remit the sum of one dollar
22 and fifteen cents (\$1.15) of each fee collected under this subdivision to
23 the North Carolina State Bar for the provision of services described in
24 G.S. 7A-474.4."

25 **SECTION 22.14.(c)** G.S. 7A-306(a)(2) reads as rewritten:

26 "(2) For support of the General Court of Justice the sum of thirty dollars
27 (\$30.00). In addition, in proceedings involving land, except boundary
28 disputes, if the fair market value of the land involved is over one
29 hundred dollars (\$100.00), there shall be an additional sum of thirty
30 cents (30¢) per one hundred dollars (\$100.00) of value, or major
31 fraction thereof, not to exceed a maximum additional sum of two
32 hundred dollars (\$200.00). Fair market value is determined by the sale
33 price if there is a sale, the appraiser's valuation if there is no sale, or
34 the appraised value from the property tax records if there is neither a
35 sale nor an appraiser's valuation. Sums collected under this ~~subsection~~
36 subdivision shall be remitted to the State Treasurer. The State
37 Treasurer shall remit the sum of one dollar and fifteen cents (\$1.15) of
38 each fee collected under this subdivision to the North Carolina State
39 Bar for the provision of services described in G.S. 7A-474.4."

40 **SECTION 22.14.(d)** G.S. 7A-307(a)(2) reads as rewritten:

41 "(2) For support of the General Court of Justice, the sum of thirty dollars
42 (\$30.00), plus an additional forty cents (40¢) per one hundred dollars
43 (\$100.00), or major fraction thereof, of the gross estate, not to exceed
44 three thousand dollars (\$3,000). Gross estate shall include the fair
45 market value of all personalty when received, and all proceeds from
46 the sale of realty coming into the hands of the fiduciary, but shall not
47 include the value of realty. In collections of personal property by
48 affidavit, the fee based on the gross estate shall be computed from the
49 information in the final affidavit of collection made pursuant to G.S.
50 28A-25-3 and shall be paid when that affidavit is filed. In all other
51 cases, this fee shall be computed from the information reported in the
52 inventory and shall be paid when the inventory is filed with the clerk.
53 If additional gross estate, including income, comes into the hands of

1 the fiduciary after the filing of the inventory, the fee for such
 2 additional value shall be assessed and paid upon the filing of any
 3 account or report disclosing such additional value. For each filing the
 4 minimum fee shall be fifteen dollars (\$15.00). Sums collected under
 5 this ~~subsection~~ subdivision shall be remitted to the State Treasurer.
 6 The State Treasurer shall remit the sum of one dollar and fifteen cents
 7 (\$1.15) of each fee collected under this subdivision to the North
 8 Carolina State Bar for the provision of services described in G.S. 7A-
 9 474.4."

10 **SECTION 22.14.(e)** G.S. 7A-474.1 reads as rewritten:

11 **"§ 7A-474.1. Legislative findings and purpose.**

12 The General Assembly of North Carolina declares it to be its purpose to provide
 13 access to legal representation for indigent persons in certain kinds of civil matters. The
 14 General Assembly finds that such representation can best be provided in an efficient,
 15 effective, and economic manner through ~~Legal Services of North Carolina, Inc., and the~~
 16 ~~five geographically based field programs in this State receiving funds under the Legal~~
 17 ~~Services Corporation Act (42 U.S.C. § 2996 et seq.).~~ State."

18 **SECTION 22.14.(f)** G.S. 7A-474.2 reads as rewritten:

19 **"§ 7A-474.2. Definitions.**

20 The following definitions shall apply throughout this Article, unless the context
 21 otherwise requires:

- 22 (1) "Eligible client" means a resident of North Carolina financially eligible
 23 for representation under the Legal Services Corporation Act,
 24 regulations, and interpretations adopted thereunder (45 CFR § 1611,
 25 and subsequent revisions).
 26 (2) "Legal assistance" means the provision of any legal services, as
 27 defined by Chapter 84 of the General Statutes, consistent with this
 28 Article. Provided, that all legal services provided hereunder shall be
 29 performed consistently with the Rules of Professional Conduct
 30 promulgated by the North Carolina State Bar. Provided, further, that
 31 no funds appropriated under this Article shall be used for lobbying to
 32 influence the passage or defeat of any legislation before any municipal,
 33 county, state, or national legislative body.
 34 (3) ~~"Legal Services of North Carolina, Inc.," means the not for profit~~
 35 ~~corporation established by the North Carolina Bar Association to~~
 36 ~~administer the system of local legal services programs primarily~~
 37 ~~funded under the Legal Services Corporation Act (42 U.S.C. § 2996 et~~
 38 ~~seq.) and the interest on Lawyer's Trust Accounts program of the~~
 39 ~~North Carolina State Bar.~~
 40 (4) "Geographically based field programs" means the ~~15 local following~~
 41 ~~not-for-profit corporations supported by funds from Legal Services of~~
 42 ~~North Carolina, Inc., and the Legal Services Corporation and which~~
 43 ~~provide civil legal services to low income residents of geographic~~
 44 ~~service areas comprising all 100 counties in North Carolina. using~~
 45 ~~State funds to serve the counties listed: Legal Services of the Southern~~
 46 ~~Piedmont, serving Cabarrus, Gaston, Mecklenburg, Stanly, and Union~~
 47 ~~Counties; Legal Aid Society of Northwest North Carolina, serving~~
 48 ~~Davie, Forsyth, Iredell, Stokes, Surry, and Yadkin Counties; North~~
 49 ~~Central Legal Assistance Program, serving Durham, Franklin,~~
 50 ~~Granville, Person, Vance, and Warren Counties; Pisgah Legal~~
 51 ~~Services, serving Buncombe, Henderson, Madison, Polk, Rutherford,~~
 52 ~~and Transylvania Counties; and Legal Services of North Carolina,~~
 53 ~~servng 83 counties in North Carolina; or any successor entity or~~

1 entities of the named organizations, or, should any of the named
 2 organizations dissolve, the entity or entities providing substantially the
 3 same services in substantially the same service area."

4 **SECTION 22.14.(g)** G.S. 7A-474.4 reads as rewritten:

5 **"§ 7A-474.4. Funds.**

6 Funds to provide representation pursuant to this Article shall be provided to ~~Legal~~
 7 ~~Services of North Carolina, Inc.,~~ the North Carolina State Bar for provision of direct
 8 services by and support of the geographically based ~~programs based upon the eligible~~
 9 ~~client population in each program's geographic coverage area. Funds authorized by law~~
 10 ~~shall be provided by the North Carolina State Bar to Legal Services of North Carolina,~~
 11 ~~Inc., by a contract between those entities.~~ field programs. The North Carolina State Bar
 12 shall allocate these funds directly to each of the five geographically based field
 13 programs based upon the eligible client population in each area program, with Pisgah
 14 Legal Services receiving the allocation for Buncombe, Henderson, Madison, Polk,
 15 Rutherford, and Transylvania Counties, based upon the eligible client population in
 16 each area program. The North Carolina State Bar shall not use any of these funds for its
 17 administrative costs."

18 **SECTION 22.14.(h)** G.S. 7A-474.5 reads as rewritten:

19 **"§ 7A-474.5. Records and reports.**

20 ~~Legal Services of North Carolina, Inc.,~~ The geographically based field programs
 21 shall keep appropriate records and make periodic reports, as requested, to the North
 22 Carolina State Bar."
 23

24 **PART XXIII. DEPARTMENT OF JUSTICE**

25
 26 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

27 **USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE**
 28 **LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT**

29 **SECTION 23.1.(a)** Assets transferred to the Department of Justice during
 30 the 2001-2003 biennium pursuant to 19 U.S.C. § 1616a shall be credited to the budget
 31 of the Department and shall result in an increase of law enforcement resources for the
 32 Department. Assets transferred to the Department of Crime Control and Public Safety
 33 during the 2001-2003 biennium pursuant to 19 U.S.C. § 1616a shall be credited to the
 34 budget of the Department and shall result in an increase of law enforcement resources
 35 for the Department. The Departments of Justice and Correction shall report to the Joint
 36 Legislative Commission on Governmental Operations upon receipt of the assets and,
 37 before using the assets, shall report on the intended use of the assets and the
 38 departmental priorities on which the assets may be expended.

39 **SECTION 23.1.(b)** The General Assembly finds that the use of assets
 40 transferred pursuant to 19 U.S.C. § 1616a for new personnel positions, new projects, the
 41 acquisition of real property, repair of buildings where the repair includes structural
 42 change, and construction of or additions to buildings may result in additional expenses
 43 for the State in future fiscal periods. Therefore, the Department of Justice and the
 44 Department of Correction are prohibited from using these assets for such purposes
 45 without the prior approval of the General Assembly.

46 **SECTION 23.1.(c)** Nothing in this section prohibits North Carolina law
 47 enforcement agencies from receiving funds from the United States Department of
 48 Justice pursuant to 19 U.S.C. § 1616a.
 49

50 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

51 **PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING**
 52 **BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES**

1 **SECTION 23.2.** The Private Protective Services and Alarm Systems
2 Licensing Boards shall pay the appropriate State agency for the use of physical facilities
3 and services provided to those boards by the State.
4

5 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

6 **CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS**

7 **SECTION 23.3.** Client departments, agencies, and boards shall reimburse
8 the Department of Justice for reasonable court fees, attorney travel and subsistence
9 costs, and other costs directly related to litigation in which the Department of Justice is
10 representing the department, agency, or board.
11

12 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee, Rand

13 **REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL**
14 **REPRESENTATION**

15 **SECTION 23.4.** The Department of Justice shall be reimbursed by the
16 Board of Governors of The University of North Carolina for two Attorney III positions
17 to provide legal representation to The University of North Carolina System.
18

19 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

20 **STUDY FEE ADJUSTMENT FOR CRIMINAL RECORD CHECKS**

21 **SECTION 23.5.** The Office of State Budget and Management, in
22 consultation with the Department of Justice, shall study the feasibility of adjusting the
23 fees charged for criminal records checks conducted by the Division of Criminal
24 Information of the Department of Justice as a result of the increase in receipts from
25 criminal records checks. The study shall include an assessment of the Division's
26 operational, personnel, and overhead costs related to providing criminal records checks
27 and how those costs have changed since the 1998-99 fiscal year. The Office of State
28 Budget and Management shall report its findings and recommendations to the Chairs of
29 the Senate and House of Representatives Appropriations Committees, the Chairs of the
30 Senate and House of Representatives Appropriations Subcommittees on Justice and
31 Public Safety, and the Fiscal Research Division of the General Assembly on or before
32 March 1, 2002.
33

34 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

35 **CRIMINAL JUSTICE INFORMATION NETWORK REPORT/ADD**
36 **REPRESENTATIVE FROM THE DEPARTMENT OF JUVENILE JUSTICE**
37 **AND DELINQUENCY PREVENTION TO THE BOARD**

38 **SECTION 23.6.(a)** The Criminal Justice Information Network Governing
39 Board established pursuant to G.S. 143-661 shall report by April 1, 2002, to the Chairs
40 of the Senate and House of Representatives Appropriations Committees, the Chairs of
41 the Senate and House of Representatives Appropriations Subcommittees on Justice and
42 Public Safety, and the Fiscal Research Division of the General Assembly on:

- 43 (1) The operating budget of the Board, the expenditures of the Board as of
44 the date of the report, and the amount of funds in reserve for the
45 operation of the Board; and
- 46 (2) A long-term strategic plan and cost analysis for statewide
47 implementation of the Criminal Justice Information Network. For each
48 component of the Network, the initial cost estimate of the component,
49 the amount of funds spent to date on the component, the source of
50 funds for expenditures to date, and a timetable for completion of that
51 component, including additional resources needed at each point.

52 **SECTION 23.6.(b)** G.S. 143-661(b) reads as rewritten:

53 "(b) The Board shall consist of 19 members, appointed as follows:

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- (1) Three members appointed by the Governor, including one member who is a director or employee of a State correction agency for a term to begin September 1, 1996 and to expire on June 30, 1997, one member who is an employee of the North Carolina Department of ~~Crime Control and Public Safety~~ Juvenile Justice and Delinquency Prevention for a term beginning September 1, 1996 and to expire on June 30, 1997, and one member selected from the North Carolina Association of Chiefs of Police for a term to begin September 1, 1996 and to expire on June 30, 1999.
 - (2) Six members appointed by the General Assembly in accordance with G.S. 120-121, as follows:
 - a. Three members recommended by the President Pro Tempore of the Senate, including two members of the general public for terms to begin on September 1, 1996 and to expire on June 30, 1997, and one member selected from the North Carolina League of Municipalities who is a member of, or an employee working directly for, the governing board of a North Carolina municipality for a term to begin on September 1, 1996 and to expire on June 30, 1999; and
 - b. Three members recommended by the Speaker of the House of Representatives, including two members of the general public for terms to begin on September 1, 1996 and to expire on June 30, 1999, and one member selected from the North Carolina Association of County Commissioners who is a member of, or an employee working directly for, the governing board of a North Carolina county for a term to begin on September 1, 1996 and to expire on June 30, 1997.
 - (3) Two members appointed by the Attorney General, including one member who is an employee of the Attorney General for a term to begin on September 1, 1996 and to expire on June 30, 1997, and one member from the North Carolina Sheriffs' Association for a term to begin on September 1, 1996 and to expire on June 30, 1999.
 - (4) Six members appointed by the Chief Justice of the North Carolina Supreme Court, as follows:
 - a. The Director of the Administrative Office of the Courts, or an employee of the Administrative Office of the Courts, for a term beginning July 1, 1997, and expiring June 30, 2001.
 - b. One member who is a district attorney or an assistant district attorney upon the recommendation of the Conference of District Attorneys of North Carolina, for a term beginning July 1, 1998, and expiring June 30, 1999.
 - c. Two members who are superior court or district court judges for terms beginning July 1, 1998, and expiring June 30, 2001.
 - d. One member who is a magistrate upon the recommendation of the North Carolina Magistrates' Association, for a term beginning July 1, 1998, and expiring June 30, 1999.
 - e. One member who is a clerk of superior court upon the recommendation of the North Carolina Association of Clerks of Superior Court, for a term beginning July 1, 1998, and expiring June 30, 1999.
 - (5) One member appointed by the Chair of the Information Resource Management Commission, who is the Chair or a member of that

1 Commission, for a term to begin on September 1, 1996 and to expire
2 on June 30, 1999.

- 3 (6) One member appointed by the President of the North Carolina Chapter
4 of the Association of Public Communications Officials International,
5 who is an active member of the Association, for a term to begin on
6 September 1, 1996 and to expire on June 30, 1999.

7 The respective appointing authorities are encouraged to appoint persons having a
8 background in and familiarity with criminal information systems and networks
9 generally and with the criminal information needs and capacities of the constituency
10 from which the member is appointed.

11 As the initial terms expire, subsequent members of the Board shall be appointed to
12 serve four-year terms. At the end of a term, a member shall continue to serve on the
13 Board until a successor is appointed. A member who is appointed after a term is begun
14 serves only for the remainder of the term and until a successor is appointed. Any
15 vacancy in the membership of the Board shall be filled by the same appointing authority
16 that made the appointment, except that vacancies among members appointed by the
17 General Assembly shall be filled in accordance with G.S. 120-122."
18

19 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

20 **PROVIDE FOR COLLECTION OF TRAFFIC LAW ENFORCEMENT**
21 **STATISTICS ON STOPS MADE BY CERTAIN LOCAL LAW**
22 **ENFORCEMENT AGENCIES**

23 **SECTION 23.7.(a)** G.S. 114-10(2a) reads as rewritten:

24 "(2a) To collect, correlate, and maintain the following information regarding
25 traffic law enforcement by ~~State~~ law enforcement officers:

- 26 a. The number of drivers stopped for routine traffic enforcement
27 by ~~State~~ law enforcement officers, the officer making each stop,
28 the date each stop was made, the agency of the officer making
29 each stop, and whether or not a citation or warning was issued;
30 b. Identifying characteristics of the drivers stopped, including the
31 race or ethnicity, approximate age, and gender;
32 c. The alleged traffic violation that led to the stop;
33 d. Whether a search was instituted as a result of the stop;
34 e. Whether the vehicle, personal effects, driver, or passenger or
35 passengers were searched, and the race or ethnicity,
36 approximate age, and gender of each person searched;
37 f. Whether the search was conducted pursuant to consent,
38 probable cause, or reasonable suspicion to suspect a crime,
39 including the basis for the request for consent, or the
40 circumstances establishing probable cause or reasonable
41 suspicion;
42 g. Whether any contraband was found and the type and amount of
43 any such contraband;
44 h. Whether any written citation or any oral or written warning was
45 issued as a result of the stop;
46 i. Whether an arrest was made as a result of either the stop or the
47 search;
48 j. Whether any property was seized, with a description of that
49 property;
50 k. Whether the officers making the stop encountered any physical
51 resistance from the driver or passenger or passengers;

- 1 l. Whether the officers making the stop engaged in the use of
2 force against the driver, passenger, or passengers for any
3 reason;
4 m. Whether any injuries resulted from the stop;
5 n. Whether the circumstances surrounding the stop were the
6 subject of any investigation, and the results of that
7 investigation; and
8 o. The geographic location of the stop; if the officer making the
9 stop is a member of the State Highway Patrol, the location shall
10 be the Highway Patrol District in which the stop was made; for
11 all other law enforcement officers, the location shall be the city
12 or county in which the stop was made.

13 For purposes of this subdivision, "law enforcement officer"
14 means:

- 15 1. All State law enforcement officers;
16 2. Law enforcement officers employed by county sheriffs
17 or county police departments;
18 3. Law enforcement officers employed by police
19 departments in municipalities with a population of
20 10,000 or more persons; and
21 4. Law enforcement officers employed by police
22 departments in municipalities employing five or more
23 full-time sworn officers for every 1,000 in population.

24 The information required by this subdivision need not be collected
25 in connection with impaired driving checks under G.S. 20-16.3A or
26 other types of roadblocks, vehicle checks, or checkpoints that are
27 consistent with the laws of this State and with the State and federal
28 constitutions, except when those stops result in a warning, search,
29 seizure, arrest, or any of the other activity described in
30 sub-subdivisions d. through n. of this subdivision.

31 The identity of the law enforcement officer making the stop
32 required by sub-subdivision a. of this subdivision may be
33 accomplished by assigning anonymous identification numbers to each
34 officer in an agency. The correlation between the identification
35 numbers and the names of the officers shall not be a public record, and
36 shall not be disclosed by the agency except when required by order of
37 a court of competent jurisdiction to resolve a claim or defense properly
38 before the court."

39 **SECTION 23.7.(b)** The Division of Criminal Statistics shall establish a
40 procedure and a schedule for the reporting of the information required by this act to the
41 Division. The Division shall print and supply all forms necessary for the collection of
42 this information.

43 **SECTION 23.7.(c)** This section becomes effective January 1, 2002, and
44 applies to law enforcement actions occurring on or after that date.

45
46 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee, Rand

47 **ATTORNEY GENERAL RETAIN RECEIPTS**

48 **SECTION 23.8.** The Department of Justice may retain all receipts collected
49 in the 2001-2002 fiscal year. The receipts may be used for the purchase of automobiles
50 and equipment. The Department of Justice shall report to the Joint Legislative
51 Commission on Governmental Operations no later than January 1, 2002, on the amount
52 of receipts collected and the use of those receipts.
53

1 Requested by: Senator Ballance

2 **DRUG EDUCATION PROGRAM FUNDS/REVIEW**

3 **SECTION 23.9.(a)** Funds in the amount of \$396,402 for the 2001-2002
4 fiscal year and \$528,536 for the 2002-2003 fiscal year that are appropriated in Section
5 2.1 of this act to the Department of Correction for Inmate Medical Costs are hereby
6 transferred to the Department of Justice to fund the DARE Program.

7 **SECTION 23.9.(b)** The Juvenile Justice Institute at North Carolina Central
8 University shall review DARE and other drug education efforts in North Carolina to
9 identify an effective model for drug education. The Juvenile Justice Institute shall
10 report the results of its review to the Joint Legislative Education Oversight Committee,
11 the Justice and Public Safety Subcommittee of the Joint Legislative Commission on
12 Governmental Operations, and the Fiscal Research Division by April 1, 2002.

13
14 **PART XXIV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY**
15 **PREVENTION**

16
17 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

18 **S.O.S. ADMINISTRATIVE COST LIMITS AND REPEAL CONFERENCE**
19 **REQUIREMENT**

20 **SECTION 24.1.(a)** Of the funds appropriated to the Department of Juvenile
21 Justice and Delinquency Prevention in this act, not more than four hundred fifty
22 thousand dollars (\$450,000) for the 2001-2002 fiscal year and not more than four
23 hundred fifty thousand dollars (\$450,000) for the 2002-2003 fiscal year may be used to
24 administer the S.O.S. Program, to provide technical assistance to applicants and to local
25 S.O.S. programs, and to evaluate the local S.O.S. programs. The Department may
26 contract with appropriate public or nonprofit agencies to provide the technical
27 assistance, including training and related services.

28 **SECTION 24.1.(b)** G.S. 143B-152.3(1) is repealed.

29
30 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

31 **JUVENILE CRIME PREVENTION COUNCIL GRANT REPORTING,**
32 **CERTIFICATION, AND FUNDING OF RESEARCH-BASED PROGRAMS**

33 **SECTION 24.2.(a)** On or before May 1 each year, the Department of
34 Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
35 Commission on Governmental Operations and the Appropriations Committees of the
36 Senate and House of Representatives a list of the recipients of the grants awarded, or
37 preapproved for award, from funds appropriated to the Department for local Juvenile
38 Crime Prevention Council grants. The list shall include for each recipient the amount of
39 the grant awarded, the membership of the local committee or council administering the
40 award funds on the local level, and a short description of the local services, programs, or
41 projects that will receive funds. The list shall also identify any programs that received
42 grant funds at one time but for which funding has been eliminated by the Department of
43 Juvenile Justice and Delinquency Prevention. A written copy of the list and other
44 information regarding the projects shall also be sent to the Fiscal Research Division of
45 the General Assembly.

46 **SECTION 24.2.(b)** Each county in which local programs receive Juvenile
47 Crime Prevention Council grant funds from the Department of Juvenile Justice and
48 Delinquency Prevention shall certify annually through its local council to the
49 Department that funds received are not used to duplicate or supplant other programs
50 within the county.

51 **SECTION 24.2.(c)** On or before April 1 of each year, the Department of
52 Juvenile Justice and Delinquency Prevention shall report on the effectiveness of

1 programs funded by the county Juvenile Crime Prevention Councils. Specifically, the
2 report shall address:

- 3 (1) The extent to which programs that receive the Juvenile Crime
4 Prevention Council grants are compatible with research that shows
5 which prevention and early intervention strategies work with juvenile
6 offenders and have a measurable impact in preventing or reducing
7 juvenile crime and delinquency.
- 8 (2) The impact of programs funded with local grants on school
9 performance, school attendance, the incidence of delinquency, the use
10 of alcohol or other controlled substances, and violent, problematic, or
11 antisocial behavior. For programs serving adjudicated or diverted
12 youth, measures of effectiveness shall also include impacts on rates of
13 rearrest or recidivism.
- 14 (3) Actions taken by the Department and local Juvenile Crime Prevention
15 Councils to encourage collaboration among county councils to
16 replicate research-proven, cost-effective intervention programs for
17 juvenile offenders with Levels 1 and 2 intermediate sanctions,
18 including functional family therapy, aggression replacement training,
19 multisystemic therapy, adolescent mentoring, and foster care treatment
20 programs.

21
22 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

23 **REPORTS ON CERTAIN PROGRAMS**

24 **SECTION 24.3.(a)** Project Challenge North Carolina, Inc., shall report to
25 the Chairs of the Senate and House of Representatives Appropriations Subcommittees
26 on Justice and Public Safety by April 1 each year on the operation and the effectiveness
27 of its program in providing alternative dispositions and services to juveniles who have
28 been adjudicated delinquent or undisciplined. The report shall include information on
29 the source of referrals for juveniles, the types of offenses committed by juveniles
30 participating in the program, the amount of time those juveniles spend in the program,
31 the number of juveniles who successfully complete the program, and the number of
32 juveniles who commit additional offenses after completing the program.

33 **SECTION 24.3.(b)** The Department of Juvenile Justice and Delinquency
34 Prevention shall report to the Chairs of the Senate and House of Representatives
35 Appropriations Subcommittees on Justice and Public Safety on the effectiveness of the
36 Juvenile Assessment Center by April 1 each year. The report on the Juvenile
37 Assessment Center shall include information on the number of juveniles served and an
38 evaluation of the effectiveness of juvenile assessment plans and services provided as a
39 result of these plans.

40
41 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

42 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

43 **SECTION 24.4.** Funds appropriated in this act to the Department of Juvenile
44 Justice and Delinquency Prevention for the 2001-2002 fiscal year may be used as
45 matching funds for the Juvenile Accountability Incentive Block Grants. If North
46 Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds
47 to be awarded, the Office of State Budget and Management and the Governor's Crime
48 Commission shall consult with the Department of Juvenile Justice and Delinquency
49 Prevention regarding the criteria for awarding federal funds. The Office of State Budget
50 and Management, the Governor's Crime Commission, and the Department of Juvenile
51 Justice and Delinquency Prevention shall report to the Appropriations Committees of
52 the Senate and House of Representatives and the Joint Legislative Commission on
53 Governmental Operations prior to allocation of the federal funds. The report shall

1 identify the amount of funds to be received for the 2001-2002 fiscal year, the amount of
2 funds anticipated for the 2002-2003 fiscal year, and the allocation of funds by program
3 and purpose.

4
5 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

6 **ANNUAL EVALUATION OF COMMUNITY PROGRAMS**

7 **SECTION 24.5.** The Department of Juvenile Justice and Delinquency
8 Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness
9 camp programs, the teen court programs, the program that grants funds to the local
10 organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L.
11 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and
12 multipurpose group homes. The teen court report shall include statistical information
13 on the number of juveniles served, the number and type of offenses considered by teen
14 courts, referral sources for teen courts, and the number of juveniles that become
15 court-involved after participation in teen courts. The report on the Boys and Girls Clubs
16 program shall include information on:

- 17 (1) The expenditure of State appropriations on the program;
- 18 (2) The operations and the effectiveness of the program; and
- 19 (3) The number of juveniles served under the program.

20 In conducting the evaluation of each of these programs, the Department shall
21 consider whether participation in each program results in a reduction of court
22 involvement among juveniles. The Department shall also identify whether the programs
23 are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The
24 Department shall report the results of the evaluation to the Chairs of the House of
25 Representatives and Senate Appropriations Committees and the Chairs of the
26 Subcommittees of Justice and Public Safety of the House of Representatives and Senate
27 Appropriations Committees by March 1 of each year.

28
29 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

30 **FUNDING OF TEEN COURT PROGRAMS**

31 **SECTION 24.6.** All direct General Fund appropriations to the Department
32 of Juvenile Justice and Delinquency Prevention for teen court programs shall terminate
33 June 30, 2002. Teen court programs may use Juvenile Crime Prevention Council grant
34 funds or other funds to continue operations after June 30, 2002.

35
36 **PART XXV. DEPARTMENT OF CORRECTION**

37
38 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

39 **EARNED TIME CREDIT FOR MEDICALLY AND PHYSICALLY UNFIT**
40 **INMATES**

41 **SECTION 25.1.(a)** G.S. 15A-1355 is amended by adding a new subsection
42 to read:

43 "(d) Earned Time Credit for Medically and Physically Unfit Inmates. – Inmates in
44 the custody of the Department of Correction who suffer from medical conditions or
45 physical disabilities that prevent their assignment to work release or other rehabilitative
46 activities may, consistent with rules of the Department of Correction, earn credit based
47 upon good behavior or other criteria determined by the Department that may be used to
48 reduce their maximum term of imprisonment as provided in G.S. 15A-1340.13(d) for
49 felony sentences and in G.S. 15A-1340.20(d) for misdemeanor sentences."

50 **SECTION 25.1.(b)** This section is effective when it becomes law and
51 applies to inmates serving sentences on or after that date.

52
53 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

FEDERAL GRANT REPORTING

SECTION 25.2. The Department of Correction, the Department of Justice, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on federal grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

LIMIT USE OF OPERATIONAL FUNDS

SECTION 25.3. 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 120 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.

Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 25.4. The Department of Correction may use funds appropriated to the Department for the 2001-2002 fiscal year to pay the sum of forty dollars (\$40.00) per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the State prison system, as provided in G.S. 148-29. The Department shall report by December 1 and May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Corrections and Juvenile Justice Oversight Committee, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

USE OF CLOSED PRISON FACILITIES/ALTERNATIVE USES FOR BLUE RIDGE CORRECTIONAL CENTER AND IMPACT FACILITIES

SECTION 25.5.(a) In conjunction with the closing of prison facilities, including small expensive prison units recommended for consolidation by the Government Performance Audit Committee, the Department of Correction shall consult with the county or municipality in which the unit is located, with the elected State and local officials, and with State agencies about the possibility of converting that unit to other use. The Department may also consult with any private for-profit or nonprofit firm

1 about the possibility of converting the unit to other use. In developing a proposal for
2 future use of each unit, the Department shall give priority to converting the unit to other
3 criminal justice use. Consistent with existing law and the future needs of the
4 Department of Correction, the State may provide for the transfer or the lease of any of
5 these units to counties, municipalities, State agencies, or private firms wishing to
6 convert them to other use. The Department of Correction may also consider converting
7 some of the units recommended for closing from medium security to minimum security,
8 where that conversion would be cost-effective. A prison unit under lease to a county
9 pursuant to the provisions of this section for use as a jail is exempt for the period of the
10 lease from any of the minimum standards adopted by the Secretary of Health and
11 Human Services pursuant to G.S. 153A-221 for the housing of adult prisoners that
12 would subject the unit to greater standards than those required of a unit of the State
13 prison system.

14 Prior to any transfer or lease of these units, the Department of Correction
15 shall report on the terms of the proposed transfer or lease to the Joint Legislative
16 Commission on Governmental Operations and the Joint Legislative Corrections and
17 Juvenile Justice Oversight Committee. The Department of Correction shall also provide
18 annual summary reports to the Joint Legislative Commission on Governmental
19 Operations and the Joint Legislative Corrections and Juvenile Justice Oversight
20 Committee on the conversion of these units to other use and on all leases or transfers
21 entered into pursuant to this section.

22 **SECTION 25.5.(b)** In complying with the provisions of subsection (a) of
23 this section, the Secretary of Correction shall consult with the Secretary of the
24 Department of Juvenile Justice and Delinquency Prevention on possible alternative uses
25 of the Blue Ridge Correctional Center and of the facilities used for the IMPACT
26 program in Morganton. These alternative uses may include use as a youth development
27 center or detention center for juvenile offenders, as a residential facility for juveniles on
28 Level 1 (community) or Level 2 (intermediate) sanctions, or for residential programs for
29 adult offenders under the supervision of the Division of Community Corrections or the
30 Division of Alcohol and Chemical Dependency in the Department of Correction. The
31 Secretaries shall report by March 1, 2002, to the Joint Legislative Commission on
32 Governmental Operations on proposed uses, including estimated costs for renovation,
33 program development, and operation.

34
35 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

36 **INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS**

37 **SECTION 25.6.(a)** If the cost of providing food and health care to inmates
38 housed in the Division of Prisons is anticipated to exceed the continuation budget
39 amounts provided for that purpose in this act, the Department of Correction shall report
40 the reasons for the anticipated cost increase and the source of funds the Department
41 intends to use to cover those additional needs to the Joint Legislative Commission on
42 Governmental Operations, the Chairs of the House of Representatives and Senate
43 Appropriations Committees, and the Chairs of the House of Representatives and Senate
44 Appropriations Subcommittees on Justice and Public Safety.

45 **SECTION 25.6.(b)** Notwithstanding the provisions of G.S. 143-23(a2), the
46 Department of Correction may use funds available during the 2001-2002 fiscal year for
47 the purchase of prescription drugs for inmates if expenditures are projected to exceed
48 the Department's inmate medical continuation budget for prescription drugs. The
49 Department shall consult with the Joint Legislative Commission on Governmental
50 Operations prior to exceeding the continuation budget amount.

51 The Department of Administration, Purchase and Contract Division, and the
52 Department of Correction shall review the current statewide contract for purchase of
53 prescription drugs as it applies to the Department of Correction's purchases for inmates

1 to determine if the Department is receiving the lowest rate available and to determine
2 whether the Department should be authorized to issue a request for proposals for a
3 separate vendor or purchasing consortium for the provision of prescription drugs for
4 inmates. The Departments shall report on their findings to the Joint Legislative
5 Commission on Governmental Operations by February 1, 2002.

6
7 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

8 **FEDERAL GRANT MATCHING FUNDS**

9 **SECTION 25.7.** Notwithstanding the provisions of G.S. 148-2, the
10 Department of Correction may use up to the sum of nine hundred thousand dollars
11 (\$900,000) from funds available to the Department to provide the State match needed in
12 order to receive federal grant funds. Prior to using funds for this purpose, the
13 Department shall report to the Chairs of the Senate and House of Representatives
14 Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative
15 Commission on Governmental Operations on the grants to be matched using these
16 funds.

17
18 Requested by: Senators Jordan, Ballance, Kerr, Plyler, Odom, Lee

19 **STRUCTURED SENTENCING STUDY**

20 **SECTION 25.8.(a)** The North Carolina Sentencing and Policy Advisory
21 Commission shall exercise its statutory responsibility under Article 4 of Chapter 164 of
22 the General Statutes to monitor and review the criminal justice and corrections system
23 as follows. The Commission is directed to study and review the State's sentencing laws
24 in order to develop options for slowing the anticipated increase in incarceration over the
25 next 10 years. Areas of review may include the classification of offenses and offenders,
26 the relationship of the sentence and the sentence length to the offense, and the sentence
27 dispositions available to judges. The Commission shall also analyze the parole-eligible
28 population in terms of offense committed, sentence, and time served in comparison to
29 structured sentencing inmates. The options shall be consistent with the purposes of
30 sentencing as stated in G.S. 15A-1340.12. The Commission's options, and any
31 recommendations, should balance the need to ensure that sentencing laws appropriately
32 penalize offenders for the nature and degree of harm caused by the offense with the
33 need to consider the potential impact on correctional resources of the growth in the
34 prison population.

35 **SECTION 25.8.(b)** The North Carolina Sentencing and Policy Advisory
36 Commission shall report its findings to the 2001 General Assembly no later than the
37 convening of the 2002 Regular Session of the 2001 General Assembly.

38
39 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

40 **EXTEND LIMITS OF CONFINEMENT FOR TERMINALLY ILL AND**
41 **PERMANENTLY AND TOTALLY DISABLED INMATES**

42 **SECTION 25.9.(a)** G.S. 148-4 reads as rewritten:

43 **"§ 148-4. Control and custody of prisoners; authorizing prisoner to leave place of**
44 **confinement.**

45 The Secretary of Correction shall have control and custody of all prisoners serving
46 sentence in the State prison system, and such prisoners shall be subject to all the rules
47 and regulations legally adopted for the government thereof. Any sentence to
48 imprisonment in any unit of the State prison system, or to jail to be assigned to work
49 under the State Department of Correction, shall be construed as a commitment, for such
50 terms of imprisonment as the court may direct, to the custody of the Secretary of
51 Correction or his authorized representative, who shall designate the places of
52 confinement within the State prison system where the sentences of all such persons shall
53 be served. The authorized agents of the Secretary shall have all the authority of peace

1 officers for the purpose of transferring prisoners from place to place in the State as their
2 duties might require and for apprehending, arresting, and returning to prison escaped
3 prisoners, and may be commissioned by the Governor, either generally or specially, as
4 special officers for returning escaped prisoners or other fugitives from justice from
5 outside the State, when such persons have been extradited or voluntarily surrendered.
6 Employees of departments, institutions, agencies, and political subdivisions of the State
7 hiring prisoners to perform work outside prison confines may be designated as the
8 authorized agents of the Secretary of Correction for the purpose of maintaining control
9 and custody of prisoners who may be placed under the supervision and control of such
10 employees, including guarding and transferring such prisoners from place to place in the
11 State as their duties might require, and apprehending and arresting escaped prisoners
12 and returning them to prison. The governing authorities of the State prison system are
13 authorized to determine by rules and regulations the manner of designating these agents
14 and placing prisoners under their supervision and control, which rules and regulations
15 shall be established in the same manner as other rules and regulations for the
16 government of the State prison system.

17 The Secretary of Correction may extend the limits of the place of confinement of a
18 prisoner, as to whom there is reasonable cause to believe he will honor his trust, by
19 authorizing him, under prescribed conditions, to leave the confines of that place
20 unaccompanied by a custodial agent for a prescribed period of time to

- 21 (1) Contact prospective employers; or
- 22 (2) Secure a suitable residence for use when released on parole or upon
23 discharge; or
- 24 (3) Obtain medical services not otherwise available; or
- 25 (4) Participate in a training program in the community; or
- 26 (5) Visit or attend the funeral of a spouse, child (including stepchild,
27 adopted child or child as to whom the prisoner, though not a natural
28 parent, has acted in the place of a parent), parent (including a person
29 though not a natural parent, has acted in the place of a parent), brother,
30 or sister; or
- 31 (6) Participate in community-based programs of rehabilitation, including,
32 but not limited to the existing community volunteer and home-leave
33 programs, pre-release and after-care programs as may be provided for
34 and administered by the Secretary of Correction and other programs
35 determined by the Secretary of Correction to be consistent with the
36 prisoner's rehabilitation and return to society; or
- 37 (7) Be on maternity leave, for a period of time not to exceed 60 days. The
38 county departments of social services are expected to cooperate with
39 officials at the North Carolina Correctional Center for Women to
40 coordinate prenatal care, financial services, and placement of the ~~child~~
41 child; or
- 42 (8) Receive palliative care, only in the case of a terminally ill inmate or a
43 permanently and totally disabled inmate that the Secretary finds no
44 longer poses a threat to society, and only after consultation with any
45 victims of the inmate or the victims' families. For purposes of this
46 subdivision, the term "terminally ill" describes an inmate who, as
47 determined by a licensed physician, has an incurable condition caused
48 by illness or disease that will likely produce death within 12 months.
49 For purposes of this subdivision, the term "permanently and totally
50 disabled" describes an inmate who, as determined by a licensed
51 physician, suffers from permanent and irreversible physical
52 incapacitation as a result of an existing physical or medical condition.

1 The willful failure of a prisoner to remain within the extended limits of his confinement,
2 or to return within the time prescribed to the place of confinement designated by the
3 Secretary of Correction, shall be deemed an escape from the custody of the Secretary of
4 Correction punishable as provided in G.S. 148-45."

5 **SECTION 25.9.(b)** This section is effective when it becomes law and
6 applies to inmates serving sentences on or after that date.
7

8 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

9 **ENERGY FOR COMMITTED OFFENDERS/CONTRACT AND REPORT**

10 **SECTION 25.10.** The Department of Correction may continue to contract
11 with Energy for Committed Offenders, Inc., for the purchase of prison beds for
12 minimum security female inmates during the 2001-2003 biennium. Energy for
13 Committed Offenders, Inc., shall report by February 1 of each year to the Joint
14 Legislative Commission on Governmental Operations on the annual cost per inmate and
15 the average daily inmate population compared to bed capacity using the same
16 methodology as that used by the Department of Correction. Energy for Committed
17 Offenders, Inc., shall also provide information on the rearrest rate and the
18 return-to-prison rate for inmates participating in the program who are paroled or
19 released from prison.
20

21 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

22 **MEDIUM CUSTODY ROAD CREW COMPENSATION**

23 **SECTION 25.11.(a)** Of funds appropriated to the Department of
24 Transportation by this act, the sum of eight million five hundred thousand dollars
25 (\$8,500,000) per year shall be used by the Department to reimburse the Department of
26 Correction during the 2001-2003 biennium for costs authorized by G.S. 148-26.5 for
27 highway-related labor performed by medium-custody prisoners. The Department of
28 Transportation may use funds appropriated by this act to pay requested reimbursements
29 submitted by the Department of Correction over and above the eight million five
30 hundred thousand dollars (\$8,500,000), but those reimbursement requests shall be
31 subject to negotiations among the Department of Transportation, the Department of
32 Correction, and the Office of State Budget and Management prior to payment by the
33 Department of Transportation.

34 **SECTION 25.11.(b)** The Department of Transportation shall reimburse the
35 Department of Correction the sum of one million eight hundred eleven thousand six
36 hundred twenty-eight dollars (\$1,811,628) between July 1 and July 31, 2001, in order to
37 fully comply with subsection (a) of Section 27.21 of S.L. 1999-237, which directed the
38 Department of Transportation to provide reimbursement during the 1999-2001
39 biennium for highway-related labor performed by medium-custody prisoners.

40 **SECTION 25.11.(c)** Subsection (b) of Section 27.21 of S.L. 1999-237 is
41 repealed.

42 **SECTION 25.11.(d)** The Department of Transportation and the Department
43 of Correction shall report to the Joint Legislative Corrections and Juvenile Justice
44 Oversight Committee and the Joint Legislative Transportation Oversight Committee by
45 March 1, 2002, on road squad activity and the implementation of the provisions of this
46 section.
47

48 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

49 **CLARIFY THE LAW PROVIDING FOR COMPENSATION TO PERSONS**
50 **ERRONEOUSLY CONVICTED AND INCREASE THE AMOUNT OF**
51 **COMPENSATION ALLOWED**

52 **SECTION 25.12.(a)** G.S. 148-84 reads as rewritten:

1 **"§ 148-84. Evidence; action by Industrial Commission; payment and amount of**
2 **compensation.**

3 At the hearing the claimant may introduce evidence in the form of affidavits or
4 testimony to support the claim, and the Attorney General may introduce counter
5 affidavits or testimony in refutation. If the Industrial Commission finds from the
6 evidence that the claimant received a pardon of innocence for the reason that the crime
7 was not committed at all, or was not committed by the claimant, and that the claimant
8 was imprisoned and has been vindicated in connection with the alleged offense for
9 which he or she was imprisoned, the Industrial Commission shall ~~determine the amount~~
10 ~~the claimant is entitled to be paid for the claimant's pecuniary loss and shall enter an~~
11 ~~award for that amount. The Director of the Budget shall pay the amount of the award to~~
12 ~~the claimant out of the Contingency and Emergency Fund, or out of any other available~~
13 ~~State funds. The Industrial Commission shall award to the claimant an amount equal to~~
14 ~~ten thousand dollars (\$10,000) twenty thousand dollars (\$20,000) for each year or the~~
15 ~~pro rata amount for the portion of each year of the imprisonment actually served,~~
16 ~~including any time spent awaiting trial, but in no event shall the compensation exceed a~~
17 ~~total amount of one hundred fifty thousand dollars (\$150,000). five hundred thousand~~
18 ~~dollars (\$500,000). The Director of the Budget shall pay the amount of the award to the~~
19 ~~claimant out of the Contingency and Emergency Fund, or out of any other available~~
20 ~~State funds. The Industrial Commission shall give written notice of its decision to all~~
21 ~~parties concerned. The determination of the Industrial Commission shall be subject to~~
22 ~~judicial review upon appeal of the claimant or the State according to the provisions and~~
23 ~~procedures set forth in Article 31 of Chapter 143 of the General Statutes."~~

24 **SECTION 25.12.(b)** This section is effective when it becomes law and
25 applies to persons granted a pardon of innocence on or after January 1, 2001.
26

27 Requested by: Senators Jordan, Ballance, Purcell, Plyler, Odom, Lee

28 **SCOTLAND WORK RELEASE PROGRAM**

29 **SECTION 25.13.** The Department of Correction shall expand the work
30 release program at Scotland Correctional Center during the 2001-2003 biennium. As
31 part of this expansion, the Department shall close the segregation unit at Scotland
32 Correctional Center, which will allow up to 24 additional inmates to be placed in work
33 release programs. The Department shall place all eligible inmates in work release
34 programs except those inmates needed for various community work projects and work
35 at the correctional center. The Department shall close the Scotland Correctional Center
36 during the 2003-2004 fiscal year if the proposed new close-custody prison in Scotland
37 County is constructed and scheduled to become operational during the 2003-2004 fiscal
38 year, but the Department shall make a good faith effort to continue providing work
39 release for inmates transferred from the Scotland Correctional Center and to continue
40 providing community work projects in Scotland County.
41

42 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

43 **REDUCE SUMMIT HOUSE APPROPRIATION**

44 **SECTION 25.14.(a)** The General Fund appropriation to the Department of
45 Correction for Summit House, Inc., is reduced by the sum of one hundred thirty-nine
46 thousand six hundred fifty dollars (\$139,650) for each year of the 2001-2003 biennium.
47 This ten percent (10%) reduction in funding shall be accomplished by reducing
48 expenditures at the State office and not through reductions in funding to individual sites.

49 **SECTION 25.14.(b)** The Joint Legislative Corrections and Juvenile Justice
50 Oversight Committee and the Fiscal Research Division shall review the organizational
51 structure and expenditures of Summit House, Inc., prior to the convening of the 2002
52 Regular Session of the 2001 General Assembly to identify potential modifications that
53 would provide for more efficient operation of the program in future fiscal years.

1
2 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

3 **CHANGE REFERENCES TO THE DIVISION OF ADULT PROBATION AND**
4 **PAROLE TO THE DIVISION OF COMMUNITY CORRECTIONS**

5 **SECTION 25.15.** The phrase "Adult Probation and Parole" is deleted and
6 replaced by the phrase "Community Corrections" everywhere it occurs in each of the
7 following sections of the General Statutes:

8	G.S. 15A-837.	Responsibilities of Division of Adult Probation and
9		Parole.
10	G.S. 15A-1343.2.	Special probation rules for persons sentenced under
11		Article 81B.
12	G.S. 15A-1368.4.	Conditions of post-release supervision.
13	G.S. 105-259.	Secrecy required of officials; penalty for violation.
14	G.S. 115D-5.	Administration of institutions by State Board of
15		Community Colleges; personnel exempt from State
16		Personnel Act; extension courses; tuition waiver;
17		in-plant training; contracting, etc., for establishment
18		and operation of extension units of the community
19		college system; use of existing public school
20		facilities.
21	G.S. 143B-262.	Department of Correction – functions.
22	G.S. 143B-478.	Governor's Crime Commission – creation;
23		composition; terms; meetings, etc.

24
25 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

26 **MODIFICATION OF FUNDING FORMULA FOR THE NORTH CAROLINA**
27 **STATE-COUNTY CRIMINAL JUSTICE PARTNERSHIP FORMULA**

28 **SECTION 25.16.(a)** Notwithstanding the funding formula set forth in G.S.
29 143B-273.15, appropriations made to the Department of Correction through the North
30 Carolina State-County Criminal Justice Partnership Act for the 2001-2003 biennium
31 shall be distributed to the counties as specified in G.S. 143B-273.15(2) only, and not as
32 discretionary funds. The Department may also use funds from the State-County
33 Criminal Justice Partnership Account in order to maintain the counties' allocations of
34 eight million three hundred thousand dollars (\$8,300,000) as provided in previous fiscal
35 years.

36 **SECTION 25.16.(b)** Appropriations not claimed or expended by the
37 counties during the 2001-2003 biennium shall be distributed as specified in G.S.
38 143B-273.15(1). A single county may apply for discretionary funds under G.S.
39 143B-273.15(1) for a residential program that serves offenders from other counties; in
40 order for those other counties to assign offenders to such a program, those counties shall
41 include a residential component in an approved partnership plan.

42 **SECTION 25.16.(c)** The Department of Correction may not deny funds to a
43 county to support both a residential program and a day reporting center if the
44 Department of Correction determines that the county has a demonstrated need and a
45 fully developed plan for each type of sanction.

46 **SECTION 25.16.(d)** The Department of Correction shall report by February
47 1 of each year to the Chairs of the Senate and House of Representatives Appropriations
48 Committees, the Senate and House of Representatives Appropriations Subcommittees
49 on Justice and Public Safety, and the Joint Legislative Corrections and Juvenile Justice
50 Oversight Committee on the status of the Criminal Justice Partnership Program. The
51 report shall include the following information:

- 52 (1) The amount of funds carried over from the prior fiscal year;

- 1 (2) The dollar amount and purpose of grants awarded to counties as
2 discretionary grants for current fiscal year;
3 (3) Any counties the Department anticipates will submit requests for new
4 implementation grants;
5 (4) An update on efforts to ensure that all counties make use of the
6 electronic reporting system, including the number of counties
7 submitting offender participation data via the system;
8 (5) An analysis of offender participation data received, including data on
9 each program's utilization and capacity; and
10 (6) An analysis of comparable programs, prepared by the Research and
11 Planning Division of the Department of Correction, and a summary of
12 the reports prepared by county Criminal Justice Partnerships Advisory
13 Boards.
14

15 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

16 **POST-RELEASE SUPERVISION AND PAROLE COMMISSION /REPORT ON**
17 **STAFFING REORGANIZATION AND REDUCTION**

18 **SECTION 25.17.** The Post-Release Supervision and Parole Commission
19 shall report by March 1 of each year to the Chairs of the Senate and House of
20 Representatives Appropriations Subcommittees on Justice and Public Safety on an
21 updated transition plan for implementing staff reductions through the 2002-2003 fiscal
22 year, including a minimum ten percent (10%) reduction in staff positions in the
23 2002-2003 fiscal year over the 2001-2002 fiscal year.
24

25 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

26 **REPORTS ON NONPROFIT PROGRAMS**

27 **SECTION 25.18.(a)** Funds appropriated in this act to the Department of
28 Correction to support the programs of Harriet's House may be used for program
29 operating costs, the purchase of equipment, and the rental of real property. Harriet's
30 House shall report by February 1 of each year to the Joint Legislative Commission on
31 Governmental Operations on the expenditure of State appropriations and on the
32 effectiveness of the program, including information on the number of clients served and
33 the number of clients who successfully complete the Harriet's House program.
34

35 **SECTION 25.18.(b)** Summit House shall report by February 1 of each year
36 to the Joint Legislative Commission on Governmental Operations on the expenditure of
37 State appropriations and on the effectiveness of the program, including information on
38 the number of clients served, the number of clients who have their probation revoked,
39 and the number of clients who successfully complete the program while housed at
40 Summit House, Inc.

41 **SECTION 25.18.(c)** Women at Risk shall report by February 1 of each year
42 to the Joint Legislative Commission on Governmental Operations on the expenditure of
43 State funds and on the effectiveness of the program, including information on the
44 number of clients served, the number of clients who have had their probation revoked,
45 and the number of clients who have successfully completed the program.

46 **SECTION 25.18.(d)** The John Hyman Foundation shall report by February
47 1 of each year to the Joint Legislative Commission on Governmental Operations on the
48 expenditure of State funds and on the effectiveness of the program, including
49 information on the number of clients served, the number of clients who have had their
50 probation revoked, and the number of clients who have successfully completed the
51 program.

52 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

53 **EXEMPTION FROM LICENSURE AND CERTIFICATE OF NEED**

1 **SECTION 25.19.(a)** Inpatient chemical dependency or substance abuse
2 facilities that provide services exclusively to inmates of the Department of Correction
3 shall be exempt from licensure by the Department of Health and Human Services under
4 Chapter 122C of the General Statutes. If an inpatient chemical dependency or substance
5 abuse facility provides services both to inmates of the Department of Correction and to
6 members of the general public, the portion of the facility that serves inmates shall be
7 exempt from licensure.

8 **SECTION 25.19.(b)** Any person who contracts to provide inpatient
9 chemical dependency or substance abuse services to inmates of the Department of
10 Correction may construct and operate a new chemical dependency or substance abuse
11 facility for that purpose without first obtaining a certificate of need from the Department
12 of Health and Human Services pursuant to Article 9 of Chapter 131E of the General
13 Statutes. However, a new facility or addition developed for that purpose without a
14 certificate of need shall not be licensed pursuant to Chapter 122C of the General
15 Statutes and shall not admit anyone other than inmates unless the owner or operator first
16 obtains a certificate of need.

17 **SECTION 25.19.(c)** This section applies to existing facilities, as well as
18 future facilities contracting with the Department of Correction.
19

20 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

21 **REPORT ON PROBATION AND PAROLE CASELOADS**

22 **SECTION 25.20.** The Department of Correction shall report by March 1 of
23 each year to the Chairs of the Senate and House of Representatives Appropriations
24 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections and
25 Juvenile Justice Oversight Committee on caseload averages for probation and parole
26 officers. The report shall include:

- 27 (1) Data on current caseload averages for Probation Parole Officer I,
28 Probation Parole Officer II, and Probation Parole Officer III positions;
- 29 (2) An analysis of the optimal caseloads for these new officer
30 classifications;
- 31 (3) An assessment of the role of surveillance officers; and
- 32 (4) Projected impact of the new officer classifications and procedures on
33 the operating and equipment expenditures of the Division of
34 Community Corrections.
35

36 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

37 **REPORT ON INMATES ELIGIBLE FOR PAROLE**

38 **SECTION 25.21.** The Post-Release Supervision and Parole Commission
39 shall provide quarterly reports to the Joint Legislative Commission on Governmental
40 Operations on inmates eligible for parole. These reports shall include at least the
41 following:

- 42 (1) The total number of Fair Sentencing and Pre-Fair Sentencing inmates
43 that were parole-eligible during the previous quarter and the total
44 number of those inmates that were paroled. The report should group
45 these inmates by offense type and custody classification;
- 46 (2) A list of all those inmates paroled or released by category of parole or
47 release, including each inmate's offense and custody classification at
48 the time of the parole or release;
- 49 (3) The average time served, by offense class, of Fair Sentencing and
50 Pre-Fair Sentencing inmates compared to inmates sentenced under
51 Structured Sentencing;

- 1 (4) The projected number of parole-eligible inmates to be paroled or
 2 released by the end of the 2001-2002 fiscal year and by the end of the
 3 2002-2003 fiscal year.
 4

5 **PART XXVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**
 6

7 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

8 **ELIMINATE DEPARTMENT OF CRIME CONTROL AND PUBLIC**
 9 **SAFETY/RELOCATE DIVISIONS**

10 **SECTION 26.1.(a)** Article 11 of Chapter 143B of the General Statutes is
 11 repealed, and the Department of Crime Control and Public Safety is abolished.

12 **SECTION 26.1.(b)** Article 19 of Chapter 143A of the General Statutes is
 13 repealed.

14 **SECTION 26.1.(c)** Article 68 of Chapter 143 of the General Statutes is
 15 repealed, and the North Carolina State Boxing Commission is abolished.

16 **SECTION 26.1.(d)** The statutory authority, power, duties, functions,
 17 records, personnel, property, unexpended balances of appropriations, allocations, or
 18 other funds, including the functions of budgeting and purchasing, of the Highway Patrol
 19 Division of the Department of Crime Control and Public Safety are transferred to the
 20 Department of Transportation. The Revisor of Statutes shall substitute the term
 21 "Department of Transportation" for the term "Department of Crime Control and Public
 22 Safety" and the term "Transportation" for the term "Crime Control and Public Safety"
 23 everywhere those terms appear in each of the following sections of the General Statutes:

24 G.S. 8-50.2. Results of speed-measuring instruments;
 25 admissibility.

26 G.S. 17C-6. Powers of Commission.

27 G.S. 20-125. Horns and warning devices.

28 G.S. 20-184. Patrol under supervision of Department of Crime
 29 Control and Public Safety.

30 G.S. 20-185. Personnel; appointment; salaries.

31 G.S. 20-187. Orders and rules for organization and conduct.

32 G.S. 20-187.1. Awards.

33 G.S. 20-187.3. Quotas prohibited.

34 G.S. 20-188. Duties of Highway Patrol.

35 G.S. 20-189. Patrolmen assigned to Governor's office.

36 G.S. 20-190. Uniforms; motor vehicles and arms; expense
 37 incurred; color of vehicle.

38 G.S. 20-192. Shifting of patrolmen from one district to another.

39 G.S. 20-195. Cooperation between Patrol and local officers.

40 G.S. 20-196. Statewide radio system authorized; use of telephone
 41 lines in emergencies.

42 G.S. 20-196.3. Who may hold supervisory positions over uniformed
 43 personnel.

44 G.S. 166A-26. Regional Response Team Advisory Committee.

45 **SECTION 26.1.(e)** The statutory authority, power, duties, functions,
 46 records, personnel, property, unexpended balances of appropriations, allocations, or
 47 other funds, including the functions of budgeting and purchasing, of the Community
 48 Service Work Program of the Division of Victim and Justice Services of the Department
 49 of Crime Control and Public Safety are transferred to the Department of Correction.

50 The Revisor of Statutes shall substitute the term "Department of Correction"
 51 for the terms "Department of Crime Control and Public Safety" and "Crime Control and
 52 Public Safety" everywhere those terms appear in the following sections of the General
 53 Statutes:

1 G.S. 20-179.4. Community service alternative punishment;
2 responsibilities of the Department of Crime Control
3 and Public Safety; fee.

4 G.S. 143B-475.1. Deferred prosecution, community service restitution,
5 and volunteer program.

6 **SECTION 26.1.(f)** The Secretary of the Department of Crime Control and
7 Public Safety and the Secretary of the Department of Correction shall collaborate to
8 identify 25 vacant positions to terminate no later than June 30, 2002. The positions shall
9 be identified from the four regional managers and the 21 district managers in the area of
10 community service work and the judicial district managers and judicial division
11 managers in the area of probation and parole. In addition to the 25 vacant positions to
12 terminate no later than June 30, 2002, the positions of Director of Victim and Justice
13 Services and administrative assistant shall cease to exist after June 30, 2002. On or
14 before April 1, 2002, the Secretary of Crime Control and Public Safety and the
15 Secretary of Correction shall report the specific vacant positions to terminate no later
16 than June 30, 2002, to the Chairs of the Senate and House of Representatives
17 Appropriations Committees, the Chairs of the Senate and House of Representatives
18 Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research
19 Division of the General Assembly.

20 **SECTION 26.1.(g)** The statutory authority, power, duties, functions,
21 records, personnel, property, unexpended balances of appropriations, allocations, or
22 other funds, including the functions of budgeting and purchasing, of the Crime Victims
23 Compensation Fund and Rape Victims Assistance Fund, and programs related to those
24 Funds, of the Division of Victim and Justice Services of the Department of Crime
25 Control and Public Safety are transferred to the Department of Administration. Part 3A
26 of Article 11 of Chapter 143B of the General Statutes, Assistance Program for Victims
27 of Rape and Sex Offenses, is recodified as Part 10D of Article 9 of Chapter 143B of the
28 General Statutes, and the Revisor of Statutes shall substitute "Department of
29 Administration" for "Department of Crime Control and Public Safety" everywhere that
30 term appears in Part 10D of Article 9 of Chapter 143B of the General Statutes.

31 **SECTION 26.1.(h)** The statutory authority, power, duties, functions,
32 records, personnel, property, unexpended balances of appropriations, allocations, or
33 other funds, including the functions of budgeting and purchasing, of the Alcohol Law
34 Enforcement Division of the Department of Crime Control and Public Safety are
35 transferred to the Department of Justice. The Revisor of Statutes shall substitute the
36 term "Department of Justice" for the term "Department of Crime Control and Public
37 Safety" and the term "Attorney General" for the term "Secretary of Crime Control and
38 Public Safety" everywhere those terms appear in each of the following statutes:

39 G.S. 18B-101. Definitions.

40 G.S. 18B-500. Alcohol law-enforcement agents.

41 G.S. 20-39. Administering and enforcing laws; rules and
42 regulations; agents, etc.; seal; fees; licenses and
43 plates for undercover officers.

44 G.S. 19-2.1. Action for abatement; injunction.

45 **SECTION 26.1.(i)** Of the 10 remaining supervisor positions and the 12
46 assistant supervisor positions in the district offices of the Alcohol Law Enforcement
47 Division, four positions shall terminate no later than June 30, 2002. The Secretary of
48 Crime Control and Public Safety in collaboration with the Attorney General shall
49 identify the positions that will terminate pursuant to this section and shall report to the
50 Chairs of the Senate and House of Representatives Appropriations Committees, the
51 Chairs of the Senate and House of Representatives Appropriations Subcommittees on
52 Justice and Public Safety, and the Fiscal Research Division of the General Assembly by
53 May 1, 2002, on the positions identified by the Department pursuant to this section.

1 Assembly on ways to improve ~~the correctional and law enforcement~~ those systems and
2 to assist those systems in realizing their objectives of protecting the public and of
3 punishing and rehabilitating offenders. In this examination, the Committee shall:

4 (1) Study the budget, programs, and policies of the Departments of
5 ~~Correction and Crime Control and Public Safety, Correction, Juvenile~~
6 ~~Justice and Delinquency Prevention, and Transportation~~ to determine
7 ways in which the General Assembly may improve the effectiveness of
8 those Departments;

9 (2) Examine the effectiveness of the Department of Correction in
10 implementing the public policy stated in G.S. 148-26 of providing
11 work assignments and employment for inmates as a means of reducing
12 the cost of maintaining the inmate population while enabling inmates
13 to acquire or retain skills and work habits needed to secure honest
14 employment after their release;

15 (2a) Examine the effectiveness of the Department of ~~Crime Control and~~
16 ~~Public Safety Transportation~~ in implementing the duties and
17 responsibilities charged to the Department in ~~G.S. 143B-474 Article 8~~
18 ~~of Chapter 143B of the General Statutes~~ and the overall effectiveness
19 and efficiency of law enforcement in the State; ~~and~~

20 (2b) Examine the effectiveness of the Department of Juvenile Justice and
21 Delinquency Prevention in implementing the duties and
22 responsibilities charged to the Department in Article 12 of Chapter
23 143B of the General Statutes and the overall effectiveness and
24 efficiency of the juvenile justice system in the State; and

25 (3) Study any other matters that the Committee considers necessary.

26 (b) The Committee may make interim reports to the General Assembly on
27 matters for which it may report to a regular session of the General Assembly. A report
28 to the General Assembly may contain any legislation needed to implement a
29 recommendation of the Committee."

30 **SECTION 26.1.(s)** Except for the sections of the General Statutes amended
31 in this section, the Revisor of Statutes shall substitute the term "Joint Legislative
32 Corrections and Juvenile Justice Oversight Committee" for the term "Joint Legislative
33 Corrections and Crime Control Oversight Committee" everywhere that term appears in
34 the General Statutes.

35 **SECTION 26.1.(t)** Subsections (f), (i), (r), and (t) of this section become
36 effective July 1, 2001. The remainder of this section becomes effective July 1, 2002.

37
38 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

39 **ANNUAL EVALUATION OF THE TARHEEL CHALLENGE PROGRAM**

40 **SECTION 26.2.** The Department of Crime Control and Public Safety shall
41 report to the Chairs of the House of Representatives and Senate Appropriations
42 Committees and the Chairs of the House of Representatives and Senate Appropriations
43 Subcommittees on Justice and Public Safety by April 1 of each year on the operations
44 and effectiveness of the National Guard Tarheel Challenge Program. The report should
45 evaluate the program's effectiveness as an intervention method for preventing juveniles
46 from becoming undisciplined or delinquent. The report shall also evaluate the
47 Program's role in improving individual skills and employment potential for participants
48 and shall include:

49 (1) The source of referrals for individuals participating in the Program;

50 (2) The summary of types of actions or offenses committed by the
51 participants of the Program;

52 (3) An analysis outlining the cost of providing services for each
53 participant, including a breakdown of all expenditures related to the

- 1 administration and operation of the Program and the education and
 2 treatment of the Program participants;
 3 (4) The number of individuals who successfully complete the Program;
 4 and
 5 (5) The number of participants who commit offenses after completing the
 6 Program.
 7

8 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

9 **LEGISLATIVE REVIEW OF DRUG LAW ENFORCEMENT AND OTHER**
 10 **GRANTS**

11 **SECTION 26.3.(a)** Section 1303(4) of the Omnibus Crime Control and Safe
 12 Streets Act of 1968 provides that the State application for Drug Law Enforcement
 13 Grants is subject to review by the State legislature or its designated body. Therefore, the
 14 Governor's Crime Commission of the Department of Crime Control and Public Safety
 15 shall report on the State application for grants under the State and Local Law
 16 Enforcement Assistance Act of 1986, Part M of the Omnibus Crime Control and Safe
 17 Streets Act of 1968 as enacted by Subtitle K of P.L. 99-570, the Anti-Drug Abuse Act
 18 of 1986, to the Senate and House of Representatives Appropriations Subcommittees on
 19 Justice and Public Safety when the General Assembly is in session. When the General
 20 Assembly is not in session, the Governor's Crime Commission shall report on the State
 21 application to the Joint Legislative Commission on Governmental Operations.

22 **SECTION 26.3.(b)** Unless a State statute provides a different forum for
 23 review, when a federal law or regulation provides that an individual State application
 24 for a grant shall be reviewed by the State legislature or its designated body and at the
 25 time of the review the General Assembly is not in session, that application shall be
 26 reviewed by the Joint Legislative Commission on Governmental Operations.
 27

28 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

29 **VICTIMS ASSISTANCE NETWORK REPORT**

30 **SECTION 26.4.** The Department of Crime Control and Public Safety shall
 31 report on the expenditure of funds allocated pursuant to this section for the Victims
 32 Assistance Network. The Department shall also report on the Network's efforts to
 33 gather data on crime victims and their needs, act as a clearinghouse for crime victims'
 34 services, provide an automated crime victims' bulletin board for subscribers, coordinate
 35 and support activities of other crime victims' advocacy groups, identify the training
 36 needs of crime victims' services providers and criminal justice personnel, and
 37 coordinate training for these personnel. The Department shall submit its report to the
 38 Chairs of the Appropriations Subcommittees on Justice and Public Safety of the Senate
 39 and House of Representatives by December 1 of each year of the biennium.
 40

41 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

42 **REVISE REPORT ON CRIME VICTIMS COMPENSATION FUND**

43 **SECTION 26.5.** G.S. 15B-21 reads as rewritten:

44 "**§ 15B-21. Annual report.**

45 The Commission shall, by March 15 each year, prepare and transmit to the Governor
 46 and the General Assembly a report of its activities in the prior fiscal year and the current
 47 fiscal year to date. The report shall include:

- 48 (1) The number of claims filed;
 49 (2) The number of awards made;
 50 (2a) The number of pending cases by year received;
 51 (3) The amount of each award;
 52 (4) A statistical summary of claims denied and awards made;

- 1 (5) The administrative costs of the Commission, including the
2 compensation of commissioners;
3 (6) The current unencumbered balance of the North Carolina Crime
4 Victims Compensation Fund;
5 (7) The amount of funds carried over from the prior fiscal year;
6 (8) The amount of funds received in the prior fiscal year from the
7 Department of Correction and from the compensation fund established
8 pursuant to the Victims Crime Act of 1984, 42 U.S.C. § 10601, et seq.;
- 9 and
10 (9) The amount of funds expected to be received in the current fiscal year,
11 as well as the amount actually received in the current fiscal year on the
12 date of the report, from the Department of Correction and from the
13 compensation fund established pursuant to the Victims Crime Act of
14 1984, 42 U.S.C. § 10601, et seq.

15 The Attorney General and State Auditor shall assist the Commission in the
16 preparation of the report required by this section."
17

18 Requested by: Senators Ballance, Plyler, Odom, Lee

19 **AMEND THE CRIME VICTIMS COMPENSATION ACT BY INCREASING**
20 **REIMBURSEMENT FOR FUNERAL EXPENSES AND WORK LOSS AND**
21 **BY PROVIDING THAT WORK LOSS INCLUDES LOST WAGES FOR**
22 **TIME SPENT IN COURT AND COURT-RELATED TRANSPORTATION**
23 **COSTS**

24 **SECTION 26.6.(a)** G.S. 15B-2(1) reads as rewritten:

25 "(1) "Allowable expense" means reasonable charges incurred for
26 reasonably needed products, services, and accommodations, including
27 those for medical care, rehabilitation, medically related property, and
28 other remedial treatment and care.

29 Allowable expense includes a total charge not in excess of ~~three~~
30 ~~thousand five hundred dollars (\$3,500)~~ four thousand dollars (\$4,000)
31 for expenses related to funeral, cremation, and burial, including
32 transportation of a body, but excluding expenses for flowers,
33 gravestone, and other items not directly related to the funeral service."

34 **SECTION 26.6.(b)** G.S. 15B-2(14) reads as rewritten:

35 "(14) "Work loss" means loss of income from work that the injured person
36 would have performed if he had not been injured and expenses
37 reasonably incurred by him to obtain services in lieu of those he would
38 have performed for income, reduced by any income from substitute
39 work actually performed by him, or by income he would have earned
40 in available appropriate substitute work that he was capable of
41 performing but unreasonably failed to undertake. "Work loss" includes
42 lost wages resulting from time spent in court attending criminal
43 proceedings directly related to the injury and transportation expenses
44 incurred to attend those proceedings.

45 Compensation for work loss will be limited to ~~26~~ 36 weeks
46 commencing from the date of the injury, and compensation shall not
47 exceed ~~three hundred dollars (\$300.00)~~ four hundred dollars (\$400.00)
48 per week. A claim for work loss will be paid only upon proof that the
49 injured person was gainfully employed at the time of the criminally
50 injurious conduct and, by physician's certificate, that the injured
51 person was unable to work. However, a claim for work loss resulting
52 from time spent in court attending criminal proceedings will be paid

1 upon proof of the loss of an opportunity to work as a result of
2 attending those proceedings."

3 **SECTION 26.6.(c)** G.S. 15B-11(f) reads as rewritten:

4 "(f) Compensation for replacement services loss, dependent's economic loss, and
5 dependent's replacement services loss may not exceed two hundred dollars (\$200.00)
6 per week. Compensation for work loss may not exceed four hundred dollars (\$400.00)
7 per week. Compensation for and household support loss may not exceed three hundred
8 dollars (\$300.00) per week."

9 **SECTION 26.6.(d)** This section becomes effective July 1, 2001, and applies
10 to injuries occurring on or after that date.

11
12 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

13 **TRANSPORT OF PERSONS TO AND FROM BUTNER FACILITIES**

14 **SECTION 26.7.(a)** G.S. 122C-408(b) reads as rewritten:

15 "(b) After taking the oath of office required for law-enforcement officers, the
16 special police officers authorized by this section shall have the authority of deputy
17 sheriffs of Durham and Granville Counties in those counties respectively. Within the
18 territorial jurisdiction stated in subsection (a) of this section, the special police officers
19 have the primary responsibility to enforce the laws of North Carolina and any rule
20 applicable to that territory adopted under authority of this Part or under G.S. 143-116.6
21 or G.S. 143-116.7 or under the authority granted any other agency of the State and also
22 have the powers set forth for firemen in Articles 80, 82 and 83 of Chapter 58 of the
23 General Statutes. Any civil or criminal process to be served on any individual confined
24 at any State facility within the territorial jurisdiction described in subsection (a) of this
25 section shall be forwarded by the sheriff of the county in which the process originated to
26 the Director of the Butner Public Safety Division. ~~Special police officers authorized by~~
27 ~~this section shall be assigned to transport any individual transferred to or from any State~~
28 ~~facility within the territorial jurisdiction described in subsection (a) of this section to or~~
29 ~~from the psychiatric service of the University of North Carolina Hospitals at Chapel~~
30 ~~Hill."~~

31 **SECTION 26.7.(b)** No State funds appropriated for Butner Public Safety for
32 the 2001-2003 biennium shall be used to transport any individual transferred to or from
33 any State facility within the territorial jurisdiction of the Butner Public Safety Division
34 to or from the psychiatric service of the University of North Carolina Hospitals at
35 Chapel Hill.

36
37 Requested by: Senators Jordan, Ballance, Plyler, Odom, Lee

38 **REPORT ON BUTNER PUBLIC SAFETY**

39 **SECTION 26.8.** The Secretary of Health and Human Services, in
40 consultation with the Granville County and Durham County board of commissioners,
41 shall develop a plan for phasing out the State's provision of fire and police protection to
42 the Town of Butner through Butner Public Safety. The Secretary shall report to the Joint
43 Legislative Commission on Governmental Operations by December 15, 2001, on its
44 recommendations for the transfer of those services to Granville and Durham Counties.

45
46 **PART XXVII. DEPARTMENT OF TRANSPORTATION**

47
48 Requested by: Senators Gulley, Plyler, Odom, Lee

49 **REPEAL BOND RETIREMENT TRANSFER FROM HIGHWAY FUND TO**
50 **HIGHWAY TRUST FUND**

51 **SECTION 27.1.** G.S. 136-176(a)(4) and G.S. 136-183 are repealed.

52
53 Requested by: Senators Gulley, Plyler, Odom, Lee

1 **DESIGN-BUILD TRANSPORTATION CONSTRUCTION CONTRACTS**
 2 **AUTHORIZED**

3 **SECTION 27.2.(a)** Chapter 136 of the General Statutes is amended by
 4 adding a new section to read:

5 **"§ 136-28.11. Design-build construction of transportation projects.**

6 Notwithstanding any other provision of law, the Board of Transportation may award
 7 up to three contracts annually for construction of transportation projects on a design-
 8 build basis. These contracts may be awarded after a determination by the Department of
 9 Transportation that delivery of the projects must be expedited and that it is not in the
 10 public interest to comply with normal design and construction contracting procedures.
 11 Prior to the award of a design-build contract, the Secretary of Transportation shall report
 12 to the Joint Legislative Transportation Oversight Committee and to the Joint Legislative
 13 Commission on Governmental Operations on the nature and scope of the project and the
 14 reasons an award on a design-build basis will best serve the public interest."

15 **SECTION 27.2.(b)** The Department of Transportation shall report to the
 16 Joint Legislative Transportation Oversight Committee on September 1, December 1,
 17 and March 1 of each year on the status of all design-build projects.

18
 19 Requested by: Senators Gulley, Plyler, Odom, Lee

20 **SMALL URBAN AND CONTINGENCY FUNDS**

21 **SECTION 27.3.** Of the funds appropriated in this act to the Department of
 22 Transportation:

- 23 (1) Fourteen million dollars (\$14,000,000) shall be allocated in each fiscal
 24 year for small urban construction projects. These funds shall be
 25 allocated equally in each fiscal year of the biennium among the 14
 26 Highway Divisions for the small urban construction program for small
 27 construction projects that are located within the area covered by a
 28 one-mile radius of the municipal corporate limits.
- 29 (2) Fifteen million dollars (\$15,000,000) in fiscal year 2001-2002 and ten
 30 million dollars (\$10,000,000) in fiscal year 2002-2003 shall be used
 31 statewide for rural or small urban highway improvements and related
 32 transportation enhancements to public roads and public facilities,
 33 industrial access roads, and spot safety projects as approved by the
 34 Secretary of Transportation.

35 None of these funds used for rural secondary road construction are subject to
 36 the county allocation formulas in G.S. 136-44.5(b) and (c).

37 These funds are not subject to G.S. 136-44.7.

38 The Department of Transportation shall report to the members of the General
 39 Assembly on projects funded pursuant to this section in each member's district prior to
 40 the Board of Transportation's action. The Department shall make a quarterly
 41 comprehensive report on the use of these funds to the Joint Legislative Transportation
 42 Oversight Committee and the Fiscal Research Division.

43
 44 Requested by: Senators Gulley, Plyler, Odom, Lee

45 **CASH-FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND**
 46 **APPROPRIATIONS**

47 **SECTION 27.4.(a)** The General Assembly authorizes and certifies
 48 anticipated revenues of the Highway Fund as follows:

49	FY 2003-2004	\$1,334.6 million
50	FY 2004-2005	\$1,369.8 million
51	FY 2005-2006	\$1,406.1 million
52	FY 2006-2007	\$1,445.5 million

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

3	FY 2003-2004	\$1,127.6 million
4	FY 2004-2005	\$1,176.5 million
5	FY 2005-2006	\$1,226.8 million
6	FY 2006-2007	\$1,278.4 million

7 **SECTION 27.4.(b)** Section 25 of S.L. 2000-67 is repealed.
8

9 Requested by: Senators Gulley, Plyler, Odom, Lee, Metcalf, Carter

10 **WESTERN NORTH CAROLINA AMTRAK THRUWAY BUS SERVICE**
11 **OPERATIONS AND STATION RIGHT-OF-WAY ACQUISITION FUNDS**

12 **SECTION 27.5.** Of the funds appropriated in this act for passenger rail
13 service in Western North Carolina, the Department of Transportation may use these
14 funds for the following purposes:

- 15 (1) Up to two hundred thousand dollars (\$200,000) during the 2001-2002
16 fiscal year may be used to contract with Amtrak to provide thruway
17 bus service for Western North Carolina. These funds may be used only
18 for operations and may not be used for the purchase of equipment or
19 for making infrastructure improvements.
- 20 (2) Up to three hundred twenty thousand dollars (\$320,000) during the
21 2001-2002 fiscal year may be used to acquire right-of-way for stations
22 in the Town of Valdese and the City of Asheville.
- 23 (3) Up to four hundred eighty thousand dollars (\$480,000) during the
24 2001-2002 fiscal year for other costs associated with Western North
25 Carolina rail service.

26 The Department of Transportation shall report to the Joint Legislative
27 Transportation Oversight Committee by March 15, 2002, on the status of negotiations
28 with the Norfolk Southern Corporation on needed track improvements and on the status
29 of negotiations with local governments on local financial participation to provide
30 passenger rail service to Western North Carolina.

31 One million dollars (\$1,000,000) of the remaining unencumbered funds
32 appropriated for the 1998-99 fiscal year for Western North Carolina rail service shall be
33 transferred to the Highway Fund for the 2001-2002 fiscal year.
34

35 Requested by: Senators Gulley, Plyler, Odom, Lee

36 **HIGHWAY TRUST FUND STUDY COMMITTEE**

37 **SECTION 27.6.(a)** Study Committee Established. – There is established a
38 Highway Trust Fund Study Committee to report to the Joint Legislative Transportation
39 Oversight Committee.

40 **SECTION 27.6.(b)** Membership. – The Study Committee shall be composed
41 of 14 members as follows:

- 42 (1) The Chairs of the Joint Legislative Transportation Oversight
43 Committee.
- 44 (2) Four Representatives and two public members appointed by the
45 Speaker of the House of Representatives.
- 46 (3) Four Senators and two public members appointed by the President Pro
47 Tempore of the Senate.

48 In making their appointments, the appointing authorities shall consider the
49 geographical diversity of the State.

50 **SECTION 27.6.(c)** Duties of the Study Committee. – The Committee may
51 study all aspects of the Highway Trust Fund. The study shall include the examination of
52 all the following:

- 1 (1) The current status, cost estimates, and feasibility of Highway Trust
- 2 Fund projects currently listed in Article 14 of Chapter 136 of the
- 3 General Statutes.
- 4 (2) Unanticipated problems with the structure of the Highway Trust Fund.
- 5 (3) The gap between transportation funding structures and the actual
- 6 transportation needs of the State.
- 7 (4) Allocation issues raised by the structure of the transportation funding
- 8 equity distribution formula in G.S. 136-17.2A.
- 9 (5) The feasibility of altering the project eligibility requirements of the
- 10 Highway Trust Fund.
- 11 (6) The feasibility of altering the funding allocation structure of the
- 12 Highway Trust Fund.
- 13 (7) Any other issue related to the Highway Trust Fund or transportation
- 14 funding.

15 **SECTION 27.6.(d)** Vacancies. – The appointing authority shall fill any
16 vacancy on the Study Committee.

17 **SECTION 27.6.(e)** Cochairs. – Cochairs of the Study Committee shall be
18 the cochairs of the Joint Legislative Transportation Oversight Committee. The Study
19 Committee shall meet upon the call of the Chairs. A quorum of the Study committee
20 shall be eight members.

21 **SECTION 27.6.(f)** Expenses of Members. – Members of the Study
22 Committee shall receive per diem, subsistence, and travel allowances in accordance
23 with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

24 **SECTION 27.6.(g)** Staff. – The Legislative Services Office shall assign
25 professional and clerical staff to the assist the Study Committee in its work.

26 **SECTION 27.6.(h)** Consultants. – The Study Committee may hire
27 consultants to examine specific issues and subjects related to the study, in accordance
28 with G.S. 120-32.02.

29 **SECTION 27.6.(i)** Meetings During Legislative Session. – The Study
30 Committee may meet during a regular or extra session of the General Assembly, subject
31 to approval of the Speaker of the House of Representatives and the President Pro
32 Tempore of the Senate.

33 **SECTION 27.6.(j)** Meeting Location. – The Study Committee may meet at
34 various locations around the State in order to promote greater public participation in its
35 deliberations. The Legislative Services Commission shall grant adequate meeting space
36 to the Study Committee in the State Legislative Building or the Legislative Office
37 Building.

38 **SECTION 27.6.(k)** Report. – The report of the study shall be made to the
39 Joint Legislative Transportation Oversight Committee no later than April 1, 2002. Upon
40 the filing of its final report, the Study Committee shall terminate.

41 **SECTION 27.6.(l)** Funding. – The Study Committee shall be funded from
42 funds available to the Joint Legislative Transportation Oversight Committee, in
43 accordance with G.S. 120-70.52.

44
45 Requested by: Senators Gulley, Plyler, Odom, Lee

46 **CHARLOTTE DOWNTOWN INTERMODAL STATION**

47 **SECTION 27.7.** The Department of Transportation shall report to the Joint
48 Legislative Transportation Oversight Committee by February 15, 2002, on the status of
49 the development of the downtown intermodal station in Charlotte. The report shall
50 include (i) the total cost, projected schedule, and scope of the project, (ii) how the costs
51 of the project will be met, including the shares of the costs borne by: the State of North
52 Carolina, participating local governments, federal funds, the Norfolk Southern
53 Corporation, private funding, and any other sources of funds, and (iii) description of

1 other significant aspects of the project, such as location, capacity, and modes of
2 transportation to be incorporated.

3
4 Requested by: Senators Gulley, Plyler, Odom, Lee

5 **DIVISION 3 HEADQUARTERS COMPLEX FUNDS**

6 **SECTION 27.8.** The requirement in Section 27.14 of S.L. 1999-237 that the
7 Highway Fund reimburse the Highway Trust Fund by June 30, 2004, for the capital
8 costs required to relocate the Division 3 headquarters complex in Wilmington, North
9 Carolina, is rescinded.

10
11 Requested by: Senators Gulley, Plyler, Odom, Lee

12 **DEPARTMENT OF TRANSPORTATION AUTHORIZED TO ACCEPT**
13 **ELECTRONIC BIDS**

14 **SECTION 27.9.(a)** G.S. 136-28.1 is amended by adding a new subsection to
15 read:

16 "(k) The Department of Transportation may accept bids under this section by
17 electronic means and may issue rules governing the acceptance of these bids. For
18 purposes of this subsection 'electronic means' is defined as means relating to technology
19 having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar
20 capabilities."

21 **SECTION 27.9.(b)** G.S. 136-28.1(a) reads as rewritten:

22 "(a) All contracts over eight hundred thousand dollars (\$800,000) that the
23 Department of Transportation may let for construction or repair necessary to carry out
24 the provisions of this Chapter shall be let to a responsible bidder after public advertising
25 under rules and regulations to be made and published by the Department of
26 Transportation. The right to reject any and all bids shall be reserved to the Board of
27 Transportation.

28 Contracts for construction or repair for federal aid projects entered into pursuant to
29 this section shall not contain the standardized contract clauses prescribed by 23 U.S.C. §
30 112(e) and 23 C.F.R. § 635.131(a) for differing site conditions, suspensions of work
31 ordered by the ~~engineer-engineer~~, or significant changes in the character of the work.
32 For those federal aid projects, the Department of Transportation shall use only the
33 contract provisions provided in the North Carolina Department of Transportation,
34 Standard Specifications for Roads and Structures, January 1, 1984, except as each may
35 be changed or provided for by rule adopted by the Board of Transportation in
36 accordance with the Administrative Procedure Act."

37
38 Requested by: Senators Gulley, Plyler, Odom, Lee

39 **DEPARTMENT OF TRANSPORTATION AUTHORIZED TO ESTABLISH AN**
40 **ESCORT DRIVER CERTIFICATION PROGRAM**

41 **SECTION 27.10.** G.S. 20-119 is amended by adding a new subsection to
42 read:

43 "(f) The Department of Transportation shall issue rules to establish an escort
44 driver training and certification program for escort vehicles accompanying
45 oversize/overweight loads. Any driver operating a vehicle escorting an
46 oversize/overweight load shall meet any training requirements and obtain certification
47 under the rules issued pursuant to this subsection. These rules may provide for
48 reciprocity with other states having similar escort certification programs. Certification
49 credentials for the driver of an escort vehicle shall be carried in the vehicle and be
50 readily available for inspection by law enforcement personnel."

51
52 Requested by: Senators Gulley, Plyler, Odom, Lee

1 **TRANSFER RESPONSIBILITIES OF GOVERNOR'S HIGHWAY SAFETY**
2 **PROGRAM TO THE OFFICE OF THE SECRETARY OF**
3 **TRANSPORTATION**

4 **SECTION 27.11.(a)** G.S. 143B-360 reads as rewritten:

5 "**§ 143B-360. Powers and duties of Department and Secretary.**

6 The Department of Transportation is hereby empowered to contract ~~in~~ on behalf of
7 the State with the government of the United States to the extent allowed by the laws of
8 North Carolina for the purpose of securing the benefits available to this State under the
9 Federal Highway Safety Act of 1966. To that end, the Secretary of Transportation shall
10 coordinate, with the Governor's approval, the activities of any and all departments and
11 agencies of the State and its subdivisions relating thereto.

12 All of the duties and responsibilities of the Governor's Highway Safety Program,
13 established pursuant to this section, are transferred to the Office of the Secretary of
14 Transportation."

15 **SECTION 27.11.(b)** This section becomes effective July 1, 2001.

16
17 Requested by: Senators Gulley, Plyler, Odom, Lee, Hoyle

18 **SOME STATE AIRCRAFT OPERATIONS CONSOLIDATED**

19 **SECTION 27.12.** The aircraft operations of the Area Health Education
20 Centers of The University of North Carolina and the Department of Commerce shall be
21 merged into the aircraft operations of the Department of Transportation.

22 These agencies shall report to the Joint Legislative Commission on
23 Governmental Operations and to the Joint Legislative Transportation Oversight
24 Committee by October 1, 2001, on the results of the consolidation, including reductions
25 in aircraft, personnel, parts inventories, material costs, and any other savings derived
26 from the consolidation.

27
28 Requested by: Senators Gulley, Plyler, Odom, Lee

29 **STATE HIGHWAY PATROL/DIVISION OF MOTOR VEHICLES**
30 **ENFORCEMENT CONSOLIDATION STUDY**

31 **SECTION 27.13.** The Secretary of Transportation shall study the possibility
32 of increased efficiencies through the consolidation and integration of the law
33 enforcement and other statutory duties of the State Highway Patrol and the Enforcement
34 Section of the Division of Motor Vehicles and shall report the results of that study to the
35 Joint Legislative Transportation Oversight Committee and to the Chairs of the Senate
36 and House of Representatives Appropriations Committees by December 1, 2001.

37
38 Requested by: Senators Gulley, Plyler, Odom, Lee

39 **DRIVERS LICENSE/MOTOR VEHICLE REGISTRATION SECTION**
40 **CONSOLIDATION STUDY**

41 **SECTION 27.14.** The Department of Transportation shall study the
42 consolidation and integration of the functions of the Driver License Section and the
43 Vehicle Registration Section of the Division of Motor Vehicles to provide more
44 accessible, efficient, and cost-effective service to the public. The Department of
45 Transportation shall report the results of this study to the Joint Legislative
46 Transportation Oversight Committee by March 1, 2002.

47
48 Requested by: Senators Gulley, Plyler, Odom, Lee

49 **APPROPRIATION TO THE DEPARTMENT OF TRANSPORTATION TO**
50 **FUND AVIATION GRANTS**

51 **SECTION 27.15.** Notwithstanding the provisions of G.S. 136-16.4 for
52 determining the amount of continuing aviation appropriations, there is appropriated
53 from the General Fund to the Department of Transportation the sum of seven million

1 two hundred fifty thousand dollars (\$7,250,000) for the 2001-2002 fiscal year to fund
2 aviation grants.
3

4 Requested by: Senators Gulley, Plyler, Odom, Lee

5 **CHANGE STATUTORY REFERENCES TO "COMMISSIONER OF MOTOR**
6 **VEHICLES"**

7 **SECTION 27.16.** The Revisor of Statutes is directed to change all references
8 to the "Commissioner of Motor Vehicles" and all variants of references to the person
9 holding that position to "Secretary of Transportation or his designee" in Chapter 20 of
10 the General Statutes and in the following statutes:

11 G.S. 1-105, 8-37, 44A-4, 58-31-52, 58-36-65, 66-58, 105-187.1, 105-187.3,
12 105-187.4, 105-187.10, 105-449.54, 143-116.8, 143-166.13, 143-215.107, 147-33.2,
13 158-42, and in any other statute where those words or variants appear.
14

15 Requested by: Senators Gulley, Rand, Plyler, Odom, Lee

16 **DOT REGULATION OF THE TRANSIT OF MODULAR HOMES**

17 **SECTION 27.17.(a)** G.S. 20-356 reads as rewritten:

18 **"§ 20-356. Definitions.**

19 "Person" as used in this Article shall mean an individual, corporation, partnership,
20 association or any other business entity. The word "house" as used in this Article shall
21 mean a dwelling, building, or other structure in excess of 14 feet in ~~width~~ width;
22 provided that neither mobile homes, nor modular homes or portions thereof, are within
23 this definition when being transported from a manufacturer. The word "Department" as
24 used in this Article shall mean the North Carolina Department of Transportation."

25 **SECTION 27.17.(b)** G.S. 150B-21.1 is amended by adding a new
26 subsection to read:

27 "(a8) Notwithstanding the provisions of subsection (a) of this section, the
28 Secretary of Transportation may adopt temporary rules concerning the movement of
29 modular homes. After having the proposed temporary rule published in the North
30 Carolina Register and at least 30 days prior to adopting a temporary rule pursuant to this
31 subsection, the Secretary shall:

32 (1) Notify persons on its mailing list maintained pursuant to G.S. 150B-
33 21.2(d) and any other interested parties of its intent to adopt a
34 temporary rule.

35 (2) Accept oral and written comments on the proposed temporary rule.

36 (3) Hold at least one public hearing on the proposed temporary rule.

37 When the Secretary adopts a temporary rule pursuant to this subsection, the
38 Secretary must submit a reference to this subsection as the Secretary's statement of need
39 to the Codifier of Rules.

40 Notwithstanding any other provision of this Chapter, the Codifier of Rules shall
41 publish in the North Carolina Register a proposed temporary rule received from the
42 Secretary in accordance with this subsection."
43

44 Requested by: Senators Gulley, Plyler, Odom, Lee, Albertson

45 **ASPHALT PAVEMENT RECYCLING**

46 **SECTION 27.18.** The Department of Transportation as part of its
47 resurfacing programs, shall recycle pavement surfaces, where feasible, based on
48 engineering and economic analyses. On projects where hot in-place recycling is
49 determined to be a viable option, the Department shall use an alternate bid process.
50

51 Requested by: Senators Gulley, Lee, Odom, Plyler

52 **AVIATION DIVISION STUDY THE TRANSFER OF THE GLOBAL**
53 **TRANSPARK AIRPORT**

1 **SECTION 27.19.** The Department of Transportation's Aviation Division
2 shall study the transfer of the Global TransPark airport fixed assets and operations from
3 the Global TransPark Authority to another appropriate entity. The Aviation Division
4 shall report the results of this study to the Joint Legislative Transportation Oversight
5 Committee by December 15, 2001.
6

7 Requested by: Senators Gulley, Lee, Odom, Plyler

8 **STATE BOARD OF COMMUNITY COLLEGES TO STUDY TRANSFER OF**
9 **GLOBAL TRANSPARK EDUCATION AND TRAINING CENTER**

10 **SECTION 27.20.** The State Board of Community Colleges shall study the
11 transfer of the Education and Training Center from the Global TransPark Authority to
12 an appropriate public educational entity. The State Board of Community Colleges shall
13 report the results of the study to the Joint Legislative Transportation Oversight
14 Committee by December 15, 2001.
15

16 **PART XXVIII. PUBLIC SCHOOLS**

17
18 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

19 **LITIGATION RESERVE FUNDS DO NOT REVERT**

20 **SECTION 28.1.(a)** Funds in the State Board of Education's Litigation
21 Reserve that are not expended or encumbered on June 30, 2001, shall not revert on July
22 1, 2001, but shall remain available for expenditure until June 30, 2002.

23 **SECTION 28.1.(b)** Subsection (a) of this section becomes effective June 30,
24 2001.

25 **SECTION 28.1.(c)** The State Board of Education may expend up to five
26 hundred thousand dollars (\$500,000) for the 2001-2002 fiscal year from unexpended
27 funds for certified employees' salaries to pay expenses related to pending litigation.
28

29 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

30 **CHILDREN WITH DISABILITIES**

31 **SECTION 28.2.** The State Board of Education shall allocate funds for
32 children with disabilities on the basis of two thousand six hundred sixty-two dollars and
33 eighty-seven cents (\$2,662.87) per child for a maximum of 158,825 children for the
34 2001-2002 school year. Each local school administrative unit shall receive funds for the
35 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
36 five-tenths percent (12.5%) of the 2001-2002 allocated average daily membership in the
37 local school administrative unit.

38 The dollar amounts allocated under this section for children with disabilities
39 shall also increase in accordance with legislative salary increments for personnel who
40 serve children with disabilities.
41

42 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

43 **FUNDS FOR ACADEMICALLY GIFTED STUDENTS**

44 **SECTION 28.3.** The State Board of Education shall allocate funds for
45 academically or intellectually gifted children on the basis of eight hundred seventy-nine
46 dollars and ten cents (\$879.10) per child. A local school administrative unit shall
47 receive funds for a maximum of four percent (4%) of its 2001-2002 allocated average
48 daily membership, regardless of the number of children identified as academically or
49 intellectually gifted in the unit. The State Board shall allocate funds for no more than
50 52,042 children for the 2001-2002 school year.

51 The dollar amounts allocated under this section for academically or
52 intellectually gifted children shall also increase in accordance with legislative salary
53 increments for personnel who serve academically or intellectually gifted children.

1
2 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

3 **AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS**

4 **SECTION 28.4.** The State Board of Education may use up to two hundred
5 thousand dollars (\$200,000) of the funds in the Alternative Schools/At-Risk Student
6 allotment each year for the 2001-2002 fiscal year and for the 2002-2003 fiscal year to
7 implement G.S. 115C-12(24).
8

9 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

10 **UNIFORM EDUCATION REPORTING SYSTEM (UERS)**

11 **SECTION 28.5.(a)** Funds appropriated for the Uniform Education
12 Reporting System shall not revert at the end of the 2001-2002 and 2002-2003 fiscal
13 years, but shall remain available until expended.

14 **SECTION 28.5.(b)** This section becomes effective June 30, 2001.
15

16 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

17 **SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES**

18 **SECTION 28.6.(a)** Funds for Supplemental Funding. – The General
19 Assembly finds that it is appropriate to provide supplemental funds in low-wealth
20 counties to allow those counties to enhance the instructional program and student
21 achievement; therefore, funds are appropriated to State Aid to Local School
22 Administrative Units for the 2001-2002 fiscal year and the 2002-2003 fiscal year to be
23 used for supplemental funds for schools.

24 **SECTION 28.6.(b)** Use of Funds for Supplemental Funding. – All funds
25 received pursuant to this section shall be used only (i) to provide instructional positions,
26 instructional support positions, teacher assistant positions, clerical positions, school
27 computer technicians, instructional supplies and equipment, staff development, and
28 textbooks, and (ii) for salary supplements for instructional personnel and instructional
29 support personnel.

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

42 **SECTION 28.6.(c)** Definitions. – As used in this section:

- 43 (1) "Anticipated county property tax revenue availability" means the
44 county-adjusted property tax base multiplied by the effective State
45 average tax rate.
- 46 (2) "Anticipated total county revenue availability" means the sum of the:
- 47 a. Anticipated county property tax revenue availability,
48 b. Local sales and use taxes received by the county that are levied
49 under Chapter 1096 of the 1967 Session Laws or under
50 Subchapter VIII of Chapter 105 of the General Statutes,
51 c. Food stamp exemption reimbursement received by the county
52 under G.S. 105-164.44C,

- 1 d. Homestead exemption reimbursement received by the county
2 under G.S. 105-277.1A,
3 e. Inventory tax reimbursement received by the county under G.S.
4 105-275.1 and G.S. 105-277.001,
5 f. Intangibles tax distribution and reimbursement received by the
6 county under G.S. 105-275.2, and
7 g. Fines and forfeitures deposited in the county school fund for the
8 most recent year for which data are available.
- 9 (3) "Anticipated total county revenue availability per student" means the
10 anticipated total county revenue availability for the county divided by
11 the average daily membership of the county.
- 12 (4) "Anticipated State average revenue availability per student" means the
13 sum of all anticipated total county revenue availability divided by the
14 average daily membership for the State.
- 15 (5) "Average daily membership" means average daily membership as
16 defined in the North Carolina Public Schools Allotment Policy
17 Manual, adopted by the State Board of Education. If a county contains
18 only part of a local school administrative unit, the average daily
19 membership of that county includes all students who reside within the
20 county and attend that local school administrative unit.
- 21 (6) "County-adjusted property tax base" shall be computed as follows:
22 a. Subtract the present-use value of agricultural land, horticultural
23 land, and forestland in the county, as defined in G.S. 105-277.2,
24 from the total assessed real property valuation of the county,
25 b. Adjust the resulting amount by multiplying by a weighted
26 average of the three most recent annual sales assessment ratio
27 studies,
28 c. Add to the resulting amount the:
29 1. Present-use value of agricultural land, horticultural land,
30 and forestland, as defined in G.S. 105-277.2,
31 2. Value of property of public service companies,
32 determined in accordance with Article 23 of Chapter 105
33 of the General Statutes, and
34 3. Personal property value for the county.
- 35 (7) "County-adjusted property tax base per square mile" means the
36 county-adjusted property tax base divided by the number of square
37 miles of land area in the county.
- 38 (8) "County wealth as a percentage of State average wealth" shall be
39 computed as follows:
40 a. Compute the percentage that the county per capita income is of
41 the State per capita income and weight the resulting percentage
42 by a factor of five-tenths,
43 b. Compute the percentage that the anticipated total county
44 revenue availability per student is of the anticipated State
45 average revenue availability per student and weight the
46 resulting percentage by a factor of four-tenths,
47 c. Compute the percentage that the county-adjusted property tax
48 base per square mile is of the State-adjusted property tax base
49 per square mile and weight the resulting percentage by a factor
50 of one-tenth,
51 d. Add the three weighted percentages to derive the county wealth
52 as a percentage of the State average wealth.

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

37 **SECTION 28.6.(d)** Eligibility for Funds. – Except as provided in subsection
38 (h) of this section, the State Board of Education shall allocate these funds to local school
39 administrative units located in whole or in part in counties in which the county wealth
40 as a percentage of the State average wealth is less than one hundred percent (100%).

41 **SECTION 28.6.(e)** Allocation of Funds. – Except as provided in subsection
42 (g) of this section, the amount received per average daily membership for a county shall
43 be the difference between the State average current expense appropriations per student
44 and the current expense appropriations per student that the county could provide given
45 the county's wealth and an average effort to fund public schools. (To derive the current
46 expense appropriations per student that the county could be able to provide given the
47 county's wealth and an average effort to fund public schools, multiply the county wealth
48 as a percentage of State average wealth by the State average current expense
49 appropriations per student.)

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

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

4 **SECTION 28.6.(f)** Formula for Distribution of Supplemental Funding
5 Pursuant to This Section Only. – The formula in this section is solely a basis for
6 distribution of supplemental funding for low-wealth counties and is not intended to
7 reflect any measure of the adequacy of the educational program or funding for public
8 schools. The formula is also not intended to reflect any commitment by the General
9 Assembly to appropriate any additional supplemental funds for low-wealth counties.

10 **SECTION 28.6.(g)** Minimum Effort Required. – Counties that had effective
11 tax rates in the 1996-97 fiscal year that were above the State average effective tax rate
12 but that had effective rates below the State average in the 1997-98 fiscal year or
13 thereafter shall receive reduced funding under this section. This reduction in funding
14 shall be determined by subtracting the amount that the county would have received
15 pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount
16 that the county would have received if qualified for full funding and multiplying the
17 difference by ten percent (10%). This method of calculating reduced funding shall
18 apply one time only.

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

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

28 **SECTION 28.6.(h)** Nonsupplant Requirement. – A county in which a local
29 school administrative unit receives funds under this section shall use the funds to
30 supplement local current expense funds and shall not supplant local current expense
31 funds. For the 2001-2003 fiscal biennium, the State Board of Education shall not
32 allocate funds under this section to a county found to have used these funds to supplant
33 local per student current expense funds. The State Board of Education shall make a
34 finding that a county has used these funds to supplant local current expense funds in the
35 prior year, or the year for which the most recent data are available, if:

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

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

45 **SECTION 28.6.(i)** Reports. – The State Board of Education shall report to
46 the Joint Legislative Education Oversight Committee prior to May 1, 2002, if it
47 determines that counties have supplanted funds.

48 **SECTION 28.6.(j)** Department of Revenue Reports. – The Department of
49 Revenue shall provide to the Department of Public Instruction a preliminary report for
50 the current fiscal year of the assessed value of the property tax base for each county
51 prior to March 1 of each year and a final report prior to May 1 of each year. The reports
52 shall include for each county the annual sales assessment ratio and the taxable values of
53 (i) total real property, (ii) the portion of total real property represented by the

1 present-use value of agricultural land, horticultural land, and forestland as defined in
2 G.S. 105-277.2, (iii) property of public service companies determined in accordance
3 with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

4
5 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

6 **SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING**

7 **SECTION 28.7.(a)** Funds for Small School Systems. – Except as provided
8 in subsection (b) of this section, the State Board of Education shall allocate funds
9 appropriated for small school system supplemental funding (i) to each county school
10 administrative unit with an average daily membership of fewer than 3,175 students and
11 (ii) to each county school administrative unit with an average daily membership of from
12 3,175 to 4,000 students if the county in which the local school administrative unit is
13 located has a county-adjusted property tax base per student that is below the
14 State-adjusted property tax base per student and if the total average daily membership of
15 all local school administrative units located within the county is from 3,175 to 4,000
16 students. The allocation formula shall:

- 17 (1) Round all fractions of positions to the next whole position.
- 18 (2) Provide five and one-half additional regular classroom teachers in
19 counties in which the average daily membership per square mile is
20 greater than four, and seven additional regular classroom teachers in
21 counties in which the average daily membership per square mile is
22 four or fewer.
- 23 (3) Provide additional program enhancement teachers adequate to offer
24 the standard course of study.
- 25 (4) Change the duty-free period allocation to one teacher assistant per 400
26 average daily membership.
- 27 (5) Provide a base for the consolidated funds allotment of at least four
28 hundred sixty-six thousand dollars (\$466,000) excluding textbooks.
- 29 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

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

38 **SECTION 28.7.(b)** Nonsupplant Requirement. – A county in which a local
39 school administrative unit receives funds under this section shall use the funds to
40 supplement local current expense funds and shall not supplant local current expense
41 funds. For the 2001-2003 fiscal biennium, the State Board of Education shall not
42 allocate funds under this section to a county found to have used these funds to supplant
43 local per student current expense funds. The State Board of Education shall make a
44 finding that a county has used these funds to supplant local current expense funds in the
45 prior year, or the year for which the most recent data are available, if:

- 46 (1) The current expense appropriation per student of the county for the
47 current year is less than ninety-five percent (95%) of the average of the
48 local current expense appropriations per student for the three prior
49 fiscal years; and
- 50 (2) The county cannot show (i) that it has remedied the deficiency in
51 funding, or (ii) that extraordinary circumstances caused the county to
52 supplant local current expense funds with funds allocated under this
53 section.

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

2 **SECTION 28.7.(c)** Phase-Out Provisions. – If a local school administrative
3 unit becomes ineligible for funding under this formula solely because of an increase in
4 the county-adjusted property tax base per student of the county in which the local school
5 administrative unit is located, funding for that unit shall be phased out over a two-year
6 period. For the first year of ineligibility, the unit shall receive the same amount it
7 received for the prior fiscal year. For the second year of ineligibility, it shall receive
8 one-half of that amount.

9 If a local school administrative unit becomes ineligible for funding under this
10 formula solely because of an increase in the population of the county in which the local
11 school administrative unit is located, funding for that unit shall be continued for five
12 years after the unit becomes ineligible.

13 **SECTION 28.7.(d)** Definitions. – As used in this section:

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

44 **SECTION 28.7.(e)** Reports. – The State Board of Education shall report to
45 the Joint Legislative Education Oversight Committee prior to May 1, 2002, if it
46 determines that counties have supplanted funds.

47 **SECTION 28.7.(f)** Use of Funds. – Local boards of education are
48 encouraged to use at least twenty percent (20%) of the funds they receive pursuant to
49 this section to improve the academic performance of children who are performing at
50 Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and
51 children who are performing at Level I or II on the writing tests in grades 4 and 7.
52 Local boards of education shall report to the State Board of Education on an annual
53 basis on funds used for this purpose and the State Board shall report this information to

1 the Joint Legislative Education Oversight Committee. These reports shall specify how
2 these funds were targeted and used to implement specific improvement strategies of
3 each local school administrative unit and its schools such as teacher recruitment, closing
4 the achievement gap, improving student accountability, addressing the needs of at-risk
5 students, and establishing and maintaining safe schools.

6
7 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

8 **FUNDS TO IMPLEMENT THE ABCs OF PUBLIC EDUCATION PROGRAM**

9 **SECTION 28.8.(a)** The State Board of Education shall use funds
10 appropriated for State Aid to Local School Administrative Units for the 2001-2002
11 fiscal year to provide incentive funding for schools that met or exceeded the projected
12 levels of improvement in student performance during the 2000-2001 school year, in
13 accordance with the ABCs of Public Education Program. In accordance with State
14 Board of Education policy:

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

26 **SECTION 28.8.(b)** The State Board of Education may use funds
27 appropriated to State Aid to Local School Administrative Units for assistance teams to
28 low-performing schools.

29
30 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

31 **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

32 **SECTION 28.9.(a)** The State Board of Education shall develop guidelines
33 for identifying and providing services to students with limited proficiency in the English
34 language.

35 The State Board shall allocate these funds to local school administrative units
36 and to charter schools under a formula that takes into account the average percentage of
37 students in the units or the charters over the past three years who have limited English
38 proficiency. The State Board shall allocate funds to a unit or a charter school only if (i)
39 average daily membership of the unit or the charter school includes at least 20 students
40 with limited English proficiency or (ii) students with limited English proficiency
41 comprise at least two and one-half percent (2 1/2%) of the average daily membership of
42 the unit or charter school. For the portion of the funds that is allocated on the basis of
43 the number of identified students, the maximum number of identified students for whom
44 a unit or charter school receives funds shall not exceed ten and six-tenths percent
45 (10.6%) of its average daily membership.

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

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

SECTION 28.9.(b) The Department of Public Instruction shall prepare a current headcount of the number of students classified with limited English proficiency by December 1 of each year.

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

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

EXPENDITURES FOR DRIVING EDUCATION CERTIFICATES

SECTION 28.10. The State Board of Education may use funds appropriated for drivers education for the 2001-2002 fiscal year and for the 2002-2003 fiscal year for driving eligibility certificates.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

TEACHER SALARY SCHEDULES

SECTION 28.11.(a) Effective for the 2001-2002 school year, the Director of the Budget may transfer from the Reserve for Compensation Increases for the 2001-2002 fiscal year funds necessary to implement the teacher salary schedule set out in subsection (b) of this section, including funds for the employer's retirement and social security contributions and funds for annual longevity payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service, commencing July 1, 2001, 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. The longevity payment shall be paid in a lump sum once a year.

SECTION 28.11.(b) For the 2001-2002 school year, the following monthly salary schedules shall apply to certified personnel of the public schools who are classified as teachers. The schedule contains 30 steps with each step corresponding to one year of teaching experience.

**2001-2002 MONTHLY SALARY SCHEDULE
"A" TEACHERS**

Years of Experience	"A" Teachers	NBPTS Certification
0	\$2,525	N/A
1	\$2,567	N/A
2	\$2,611	N/A
3	\$2,764	\$3,096
4	\$2,904	\$3,252
5	\$3,036	\$3,400
6	\$3,164	\$3,544
7	\$3,266	\$3,658
8	\$3,314	\$3,712
9	\$3,362	\$3,765
10	\$3,412	\$3,821
11	\$3,461	\$3,876
12	\$3,511	\$3,932

1	13	\$3,561	\$3,988
2	14	\$3,614	\$4,048
3	15	\$3,667	\$4,107
4	16	\$3,722	\$4,169
5	17	\$3,777	\$4,230
6	18	\$3,834	\$4,294
7	19	\$3,892	\$4,359
8	20	\$3,950	\$4,424
9	21	\$4,011	\$4,492
10	22	\$4,072	\$4,561
11	23	\$4,136	\$4,632
12	24	\$4,200	\$4,704
13	25	\$4,264	\$4,776
14	26	\$4,330	\$4,850
15	27	\$4,398	\$4,926
16	28	\$4,467	\$5,003
17	29	\$4,538	\$5,083
18	30+	\$4,538	\$5,083

**2001-2002 MONTHLY SALARY SCHEDULE
"M" TEACHERS**

Years of Experience	"M" Teachers	NBPTS Certification
0	\$2,778	N/A
1	\$2,824	N/A
2	\$2,872	N/A
3	\$3,040	\$3,405
4	\$3,194	\$3,577
5	\$3,340	\$3,741
6	\$3,480	\$3,898
7	\$3,593	\$4,024
8	\$3,645	\$4,082
9	\$3,698	\$4,142
10	\$3,753	\$4,203
11	\$3,807	\$4,264
12	\$3,862	\$4,325
13	\$3,917	\$4,387
14	\$3,975	\$4,452
15	\$4,034	\$4,518
16	\$4,094	\$4,585
17	\$4,155	\$4,654
18	\$4,217	\$4,723
19	\$4,281	\$4,795
20	\$4,345	\$4,866
21	\$4,412	\$4,941
22	\$4,479	\$5,016
23	\$4,550	\$5,096
24	\$4,620	\$5,174
25	\$4,690	\$5,253
26	\$4,763	\$5,335
27	\$4,838	\$5,419

1	28	\$4,914	\$5,504
2	29	\$4,992	\$5,591
3	30+	\$4,992	\$5,591

SECTION 28.11.(c) Certified public school teachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public school teachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

INSTRUCTIONAL SUPPORT PERSONNEL SALARY SCHEDULES

SECTION 28.12.(a) Effective for the 2001-2002 school year, the Director of the Budget may transfer from the Reserve for Compensation Increases for the 2001-2002 fiscal year funds necessary to implement the instructional support personnel salary schedule set out in subsection (b) of this section, including funds for the employer's retirement and social security contributions and funds for annual longevity payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service, commencing July 1, 2001, for all instructional support personnel 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. The longevity payment shall be paid in a lump sum once a year.

SECTION 28.12.(b) For the 2001-2002 school year, the following monthly salary schedules shall apply to certified personnel of the public schools who are classified as instructional support personnel. The schedule contains 30 steps with each step corresponding to one year of experience as a certificated employee of the public schools.

**2001-2002 MONTHLY SALARY SCHEDULE
"A" INSTRUCTIONAL SUPPORT PERSONNEL**

Years of Experience	"A" Instructional Support Personnel	NBPTS Certification
0	\$2,525	N/A
1	\$2,567	N/A
2	\$2,611	N/A
3	\$2,764	\$3,096
4	\$2,904	\$3,252
5	\$3,036	\$3,400
6	\$3,164	\$3,544
7	\$3,266	\$3,658
8	\$3,314	\$3,712
9	\$3,362	\$3,765
10	\$3,412	\$3,821
11	\$3,461	\$3,876

1	12	\$3,511	\$3,932
2	13	\$3,561	\$3,988
3	14	\$3,614	\$4,048
4	15	\$3,667	\$4,107
5	16	\$3,722	\$4,169
6	17	\$3,777	\$4,230
7	18	\$3,834	\$4,294
8	19	\$3,892	\$4,359
9	20	\$3,950	\$4,424
10	21	\$4,011	\$4,492
11	22	\$4,072	\$4,561
12	23	\$4,136	\$4,632
13	24	\$4,200	\$4,704
14	25	\$4,264	\$4,776
15	26	\$4,330	\$4,850
16	27	\$4,398	\$4,926
17	28	\$4,467	\$5,003
18	29	\$4,538	\$5,083
19	30+	\$4,538	\$5,083

**2001-2002 MONTHLY SALARY SCHEDULE
"M" INSTRUCTIONAL SUPPORT PERSONNEL**

Years of Experience	"M" Instructional Support Personnel	NBPTS Certification
0	\$2,778	N/A
1	\$2,824	N/A
2	\$2,872	N/A
3	\$3,040	\$3,405
4	\$3,194	\$3,577
5	\$3,340	\$3,741
6	\$3,480	\$3,898
7	\$3,593	\$4,024
8	\$3,645	\$4,082
9	\$3,698	\$4,142
10	\$3,753	\$4,203
11	\$3,807	\$4,264
12	\$3,862	\$4,325
13	\$3,917	\$4,387
14	\$3,975	\$4,452
15	\$4,034	\$4,518
16	\$4,094	\$4,585
17	\$4,155	\$4,654
18	\$4,217	\$4,723
19	\$4,281	\$4,795
20	\$4,345	\$4,866
21	\$4,412	\$4,941
22	\$4,479	\$5,016
23	\$4,550	\$5,096
24	\$4,620	\$5,174
25	\$4,690	\$5,253
26	\$4,763	\$5,335

1	27	\$4,838	\$5,419
2	28	\$4,914	\$5,504
3	29	\$4,992	\$5,591
4	30+	\$4,992	\$5,591

SECTION 28.12.(c) Certified public school instructional support personnel with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" instructional support personnel. Certified public school instructional support personnel with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" instructional support personnel.

SECTION 28.12.(d) Effective for the 2001-2002 school year, the first step of the salary schedule for school psychologists shall be equivalent to Step 5, corresponding to five years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" instructional support personnel. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as instructional support personnel.

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

SECTION 28.12.(e) Effective for the 2001-2002 school year, speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

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

SECTION 28.12.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

SCHOOL ADMINISTRATOR SALARY SCHEDULES

SECTION 28.13.(a) Funds appropriated to the Reserve for Compensation Increases shall be used for the implementation of the salary schedule for school-based administrators as provided in this section. These funds shall be used for State-paid employees only.

SECTION 28.13.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2001-2002 fiscal year, commencing July 1, 2001, is as follows:

**2001-2002
PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES**

CLASSIFICATION

Yrs of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	\$3,226	—	—	—	—
5	\$3,373	—	—	—	—
6	\$3,515	—	—	—	—
7	\$3,629	—	—	—	—
8	\$3,681	\$3,681	—	—	—
9	\$3,735	\$3,735	—	—	—
10	\$3,791	\$3,791	\$3,845	—	—
11	\$3,845	\$3,845	\$3,901	—	—
12	\$3,901	\$3,901	\$3,956	\$4,015	—
13	\$3,956	\$3,956	\$4,015	\$4,074	\$4,135
14	\$4,015	\$4,015	\$4,074	\$4,135	\$4,197
15	\$4,074	\$4,074	\$4,135	\$4,197	\$4,259
16	\$4,135	\$4,135	\$4,197	\$4,259	\$4,324
17	\$4,197	\$4,197	\$4,259	\$4,324	\$4,388
18	\$4,259	\$4,259	\$4,324	\$4,388	\$4,456
19	\$4,324	\$4,324	\$4,388	\$4,456	\$4,524
20	\$4,388	\$4,388	\$4,456	\$4,524	\$4,596
21	\$4,456	\$4,456	\$4,524	\$4,596	\$4,666
22	\$4,524	\$4,524	\$4,596	\$4,666	\$4,737
23	\$4,596	\$4,596	\$4,666	\$4,737	\$4,811
24	\$4,666	\$4,666	\$4,737	\$4,811	\$4,886
25	\$4,737	\$4,737	\$4,811	\$4,886	\$4,963
26	\$4,811	\$4,811	\$4,886	\$4,963	\$5,042
27	\$4,886	\$4,886	\$4,963	\$5,042	\$5,143
28	\$4,963	\$4,963	\$5,042	\$5,143	\$5,246
29	\$5,042	\$5,042	\$5,143	\$5,246	\$5,351
30	\$5,143	\$5,143	\$5,246	\$5,351	\$5,458
31	\$5,246	\$5,246	\$5,351	\$5,458	\$5,567
32	—	\$5,351	\$5,458	\$5,567	\$5,678
33	—	—	\$5,567	\$5,678	\$5,792
34	—	—	\$5,678	\$5,792	\$5,908
35	—	—	—	\$5,908	\$6,026
36	—	—	—	\$6,026	\$6,147
37	—	—	—	—	\$6,270

**2001-2002
PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES**

CLASSIFICATION

Yrs of	Prin V	Prin VI	Prin VII	Prin VIII
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Exp	(44-54)	(55-65)	(66-100)	(101+)
14	\$4,259	—	—	—
15	\$4,324	—	—	—
16	\$4,388	\$4,456	—	—
17	\$4,456	\$4,524	\$4,666	—
18	\$4,524	\$4,596	\$4,737	\$4,811
19	\$4,596	\$4,666	\$4,811	\$4,886
20	\$4,666	\$4,737	\$4,886	\$4,963
21	\$4,737	\$4,811	\$4,963	\$5,042
22	\$4,811	\$4,886	\$5,042	\$5,143
23	\$4,886	\$4,963	\$5,143	\$5,246
24	\$4,963	\$5,042	\$5,246	\$5,351
25	\$5,042	\$5,143	\$5,351	\$5,458
26	\$5,143	\$5,246	\$5,458	\$5,567
27	\$5,246	\$5,351	\$5,567	\$5,678
28	\$5,351	\$5,458	\$5,678	\$5,792
29	\$5,458	\$5,567	\$5,792	\$5,908
30	\$5,567	\$5,678	\$5,908	\$6,026
31	\$5,678	\$5,792	\$6,026	\$6,147
32	\$5,792	\$5,908	\$6,147	\$6,270
33	\$5,908	\$6,026	\$6,270	\$6,395
34	\$6,026	\$6,147	\$6,395	\$6,523
35	\$6,147	\$6,270	\$6,523	\$6,653
36	\$6,270	\$6,395	\$6,653	\$6,786
37	\$6,395	\$6,523	\$6,786	\$6,922
38	\$6,523	\$6,653	\$6,922	\$7,060
39	—	\$6,786	\$7,060	\$7,201
40	—	\$6,922	\$7,201	\$7,345
41	—	—	\$7,345	\$7,492

SECTION 28.13.(c) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative 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 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 28.13.(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

1 the public schools and an additional step for every three years of experience as a
2 principal. A principal or assistant principal shall also continue to receive any additional
3 State-funded percentage increases earned for the 1997-1998, 1998-1999, and the
4 1999-2000 school year for improvement in student performance or maintaining a safe
5 and orderly school.

6 **SECTION 28.13.(e)** Principals and assistant principals with certification
7 based on academic preparation at the six-year degree level shall be paid a salary
8 supplement of one hundred twenty-six dollars (\$126.00) per month and at the doctoral
9 degree level shall be paid a salary supplement of two hundred fifty-three dollars
10 (\$253.00) per month.

11 **SECTION 28.13.(f)** There shall be no State requirement that superintendents
12 in each local school unit shall receive in State-paid salary at least one percent (1%)
13 more than the highest paid principal receives in State salary in that school unit:
14 Provided, however, the additional State-paid salary a superintendent who was employed
15 by a local school administrative unit for the 1992-93 fiscal year received because of that
16 requirement shall not be reduced because of this subsection for subsequent fiscal years
17 that the superintendent is employed by that local school administrative unit so long as
18 the superintendent is entitled to at least that amount of additional State-paid salary under
19 the rules in effect for the 1992-93 fiscal year.

20 **SECTION 28.13.(g)** Longevity pay for principals and assistant principals
21 shall be as provided for State employees under the State Personnel Act.

22 **SECTION 28.13.(h)**

- 23 (1) If a principal is reassigned to a higher job classification because the
24 principal is transferred to a school within a local school administrative
25 unit with a larger number of State-allotted teachers, the principal shall
26 be placed on the salary schedule as if the principal had served the
27 principal's entire career as a principal at the higher job classification.
28 (2) If a principal is reassigned to a lower job classification because the
29 principal is transferred to a school within a local school administrative
30 unit with a smaller number of State-allotted teachers, the principal
31 shall be placed on the salary schedule as if the principal had served the
32 principal's entire career as a principal at the lower job classification.

33 This subdivision applies to all transfers on or after the effective date of this
34 section, except transfers in school systems that have been created, or will be created, by
35 merging two or more school systems. Transfers in these merged systems are exempt
36 from the provisions of this subdivision for one calendar year following the date of the
37 merger.

38 **SECTION 28.13.(i)** Participants in an approved full-time Masters in School
39 Administration program shall receive up to a 10-month stipend at the beginning salary
40 of an assistant principal during the internship period of the masters program.
41 Certification of eligible full-time interns shall be supplied to the Department of Public
42 Instruction by the Principal Fellows Program or a school of education where the intern
43 participates in a full-time Masters in School Administration.

44 **SECTION 28.13.(j)** During the 2001-2002 fiscal year, the placement on the
45 salary schedule of an administrator with a one-year provisional assistant principal's
46 certificate shall be at the entry-level salary for an assistant principal or the appropriate
47 step on the teacher salary schedule, whichever is higher.

48
49 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

50 **CENTRAL OFFICE SALARIES**

51 **SECTION 28.14.(a)** The monthly salary ranges that follow apply to
52 assistant superintendents, associate superintendents, directors/coordinators, supervisors,
53 and finance officers for the 2001-2002 fiscal year, beginning July 1, 2001. The top of

1 these ranges shall be increased by six hundred twenty-five dollars (\$625.00) annually
2 for full-time employees.

3	School Administrator I	\$2,932	\$5,214
4	School Administrator II	\$3,112	\$5,534
5	School Administrator III	\$3,303	\$5,873
6	School Administrator IV	\$3,436	\$6,110
7	School Administrator V	\$3,574	\$6,358
8	School Administrator VI	\$3,792	\$6,747
9	School Administrator VII	\$3,945	\$7,020

10 The local board of education shall determine the appropriate category and
11 placement for each assistant superintendent, associate superintendent,
12 director/coordinator, supervisor, or finance officer within the salary ranges and within
13 funds appropriated by the General Assembly for central office administrators and
14 superintendents. The category in which an employee is placed shall be included in the
15 contract of any employee hired on or after July 1, 2001.

16 **SECTION 28.14.(b)** The monthly salary ranges that follow apply to public
17 school superintendents for the 2001-2002 fiscal year, beginning July 1, 2001. The top
18 of these ranges shall be increased by six hundred twenty-five dollars (\$625.00) annually
19 for full-time employees.

20	Superintendent I	\$4,187	\$7,451
21	Superintendent II	\$4,445	\$7,904
22	Superintendent III	\$4,716	\$8,389
23	Superintendent IV	\$5,005	\$8,901
24	Superintendent V	\$5,312	\$9,447

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

29 Notwithstanding the provisions of this subsection, a local board of education
30 may pay an amount in excess of the applicable range to a superintendent who is entitled
31 to receive the higher amount under Section 28.13(f) of this act.

32 **SECTION 28.14.(c)** Longevity pay for superintendents, assistant
33 superintendents, associate superintendents, directors/coordinators, supervisors, and
34 finance officers shall be as provided for State employees under the State Personnel Act.

35 **SECTION 28.14.(d)** Superintendents, assistant superintendents, associate
36 superintendents, directors/coordinators, supervisors, and finance officers with
37 certification based on academic preparation at the six-year degree level shall receive a
38 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
39 the compensation provided for pursuant to this section. Superintendents, assistant
40 superintendents, associate superintendents, directors/coordinators, supervisors, and
41 finance officers with certification based on academic preparation at the doctoral degree
42 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
43 month in addition to the compensation provided for under this section.

44 **SECTION 28.14.(e)** The State Board of Education shall not permit local
45 school administrative units to transfer State funds from other funding categories for
46 salaries for public school central office administrators.

47 **SECTION 28.14.(f)** The Director of the Budget shall transfer from the
48 Reserve for Compensation Increases created in this act for fiscal year 2001-2002,
49 beginning July 1, 2001, funds necessary to provide an average annual salary increase of
50 six hundred twenty-five dollars (\$625.00), including funds for the employer's retirement
51 and social security contributions, commencing July 1, 2001, for all permanent full-time
52 personnel paid from the Central Office Allotment. The State Board of Education shall

1 allocate these funds to local school administrative units. The local boards of education
2 shall establish guidelines for providing their salary increases to these personnel.

3 **SECTION 28.14.(g)** The State Board of Education shall develop a new
4 formula for allocating to local school administrative units funds appropriated for
5 salaries for public school central office administrators for the 2002-2003 fiscal year.
6 This formula shall not include a permanent hold-harmless provision for local school
7 administrative units.

8
9 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

10 **NONCERTIFIED PERSONNEL SALARIES**

11 **SECTION 28.15.(a)** The Director of the Budget may transfer from the
12 Reserve for Compensation Increases created in this act for fiscal year 2001-2002,
13 commencing July 1, 2001, funds necessary to provide a salary increase of six hundred
14 twenty-five dollars (\$625.00), including funds for the employer's retirement and social
15 security contributions, commencing July 1, 2001, for all noncertified public school
16 employees whose salaries are supported from the State's General Fund.

17 **SECTION 28.15.(b)** Local boards of education shall increase the rates of
18 pay for all such employees who were employed for fiscal year 2000-2001 and who
19 continue their employment for fiscal year 2001-2002 by at least six hundred twenty-five
20 dollars (\$625.00), commencing July 1, 2001. For part-time employees, the pay increase
21 shall be pro rata based on the number of hours worked.

22 **SECTION 28.15.(c)** These funds shall not be used for any purpose other
23 than for the salary increases and necessary employer contributions provided by this
24 section.

25 **SECTION 28.15.(d)** The State Board of Education may adopt salary ranges
26 for noncertified personnel to support increases of six hundred twenty-five dollars
27 (\$625.00), for the 2001-2002 fiscal year.

28
29 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

30 **HIGH SCHOOL EXIT EXAMS**

31 **SECTION 28.16.** Of the funds appropriated to State Aid to Local School
32 Administrative Units, the State Board of Education may use up to three million dollars
33 (\$3,000,000) for the 2001-2002 fiscal year to:

- 34 (1) Continue to develop a high school exit examination;
- 35 (2) Purchase equipment for scoring tests, including the new computer
36 adaptive exam for eligible students with disabilities; and
- 37 (3) Revise the reading and writing assessments.

38
39 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

40 **FAIRNESS IN TESTING PROGRAM**

41 **SECTION 28.17.(a)** The State Board of Education shall provide the Joint
42 Legislative Education Oversight Committee with a detailed analysis of the current
43 resources allocated to meet the needs of all students subject to the Statewide Student
44 Accountability Standards, and in addition, shall submit recommendations regarding
45 other resources that would best assist students in meeting these new standards.

46 **SECTION 28.17.(b)** G.S. 115C-288(a) reads as rewritten:

47 "(a) To Grade and Classify Pupils. – The principal shall have authority to grade
48 and classify ~~pupils except a pupils~~. In determining the appropriate grade for a pupil who
49 is already attending a public school, the principal shall consider the pupil's classroom
50 work and grades, the pupil's scores on standardized tests, and the best educational
51 interests of the pupil. The principal shall not make the decision solely on the basis of
52 standardized test scores. If a principal's decision to retain a child in the same grade is

1 partially based on the pupil's scores on standardized tests, those test scores shall be
2 verified as accurate.

3 A principal shall not require additional testing of a student entering a public school
4 from a school governed under Article 39 of this Chapter if test scores from a nationally
5 standardized test or nationally standardized equivalent measure that are adequate to
6 determine the appropriate placement of the child are available."

7 **SECTION 28.17.(c)** G.S. 115C-47 is amended by adding a new subdivision
8 to read:

9 **"§ 115C-47. Powers and duties generally.**

10 In addition to the powers and duties designated in G.S. 115C-36, local boards of
11 education shall have the power or duty:

12
13 ... (39) To Provide a Right to Appeal the Decision to Retain a Child. – If local
14 board policy requires that a child be retained at a grade level or that a
15 child attend summer school, based on the child's standardized test
16 scores, that local policy shall also provide the child's parent or
17 guardian the right to appeal the decision. The right to appeal shall
18 provide, at a minimum, for clear notice of the parent's rights, the right
19 to have an advocate present at the hearing, the right to ask questions of
20 school officials, the right to obtain records and information from the
21 school, and the right to present information and evidence on behalf of
22 the child."

23 **SECTION 28.17.(d)** The State Board of Education shall study the benefits
24 of providing students' parents or guardians with copies of tests administered to their
25 children under the Statewide Testing Program. The Board shall also consider the costs
26 of maintaining the integrity and reliability of the tests if such a policy is implemented.
27 The Board shall report the results of this study to the Joint Legislative Education
28 Oversight Committee by March 31, 2002.

29 **SECTION 28.17.(e)** Part 3 of Article 8B of Chapter 115C of the General
30 Statutes is amended by adding the following new section to read:

31 **"§ 115C-105.41. Students who have been placed at risk of academic failure;**
32 **personal education plans.**

33 Local school administrative units shall identify students in all grades who have been
34 placed at risk for academic failure and implement a personal education plan for
35 academic improvement with focused intervention and performance benchmarks.
36 Identification shall occur as early as can reasonably be done and can be based on grades,
37 observations, State assessments, and other factors that teachers and administrators
38 consider appropriate, without having to await the results of end-of-grade or end-of-
39 course tests. At the beginning of the school year, a personal education plan shall be
40 developed for any student not performing at least at grade level, as identified by the
41 State end-of-grade test; if, however, a student's performance appears to be falling below
42 State proficiency standards at any time during the school year, a personal education plan
43 shall be developed. Focused intervention and acceleration activities may include, among
44 other things, summer school, Saturday school, and extended days. Local school
45 administrative units shall provide these activities and transportation free of charge to
46 students."

47 **SECTION 28.17.(f)** G.S. 115C-174.12(a) reads as rewritten:

48 ~~"(a) The State Board of Education shall review the tests being administered~~
49 ~~through State and local testing programs and shall select the tests that it believes are~~
50 ~~necessary to provide the best measures of the levels of academic achievement attained~~
51 ~~by students in various subject areas. The State Board of Education shall also establish~~
52 ~~policies and guidelines necessary for minimizing the time students spend taking tests~~
53 ~~administered through State and local testing programs and for otherwise carrying out the~~

1 provisions of this Article. The State Board of Education's policies regarding the testing
2 of children with disabilities shall (i) provide broad accommodations and alternate
3 methods of assessment that are consistent with a child's individualized education
4 program and Section 504 plans, (ii) prohibit the use of statewide tests as the sole
5 determinant of decisions about a child's graduation or promotion, and (iii) provide
6 parents with information about the Statewide Testing Program and options for students
7 with disabilities. The State Board shall report its proposed policies and proposed
8 changes in policies to the Joint Legislative Education Oversight Committee prior to
9 adoption."

10 **SECTION 28.17.(g)** Schools shall devote no more than two days of
11 instructional time per year to the taking of practice tests that do not have the primary
12 purpose of assessing current student learning.

13 **SECTION 28.17.(h)** Students in a local school shall not be subject to field
14 tests or national tests during the two-week period preceding the administration of the
15 end-of-grade tests, end-of-course tests, or the school's regularly scheduled final exams.
16 No school shall participate in more than two field tests at any one grade level during a
17 school year.

18 **SECTION 28.17.(i)** The Joint Legislative Education Oversight Committee
19 shall study the State's testing program. As part of this study, the Committee shall
20 consider:

- 21 (1) The number of tests currently mandated at the State level and the
22 process and cost of developing, validating, and scoring them.
- 23 (2) Whether the State should consider the use of nationally developed tests
24 as a substitute to State-developed testing. In particular, the Committee
25 shall determine whether this use would (i) affect the ABCs Program,
26 (ii) adequately measure student achievement and performance, (iii)
27 provide more than minimum levels of achievement, (iv) provide a
28 better comparison to student achievement and performance in other
29 states, (v) be practical for high school courses or higher level courses,
30 (vi) reduce the need for field testing, and (vii) offer any cost savings to
31 the State.
- 32 (3) The number of grades in which State tests are given. The Committee
33 shall determine the necessity for testing all grades in third through
34 eighth grades, whether a reduction in the grades tested would affect the
35 receipt of federal money, and the extent to which a reduction would
36 impair the State's ability to identify schools under the ABCs Program.
- 37 (4) The high school courses for which State tests are given and whether
38 there is an appropriate distribution of tests across grades nine through
39 12 and that test an appropriate array of the minimum courses required
40 for admission to the constituent institutions of The University of North
41 Carolina. In addition, the Committee shall examine whether students
42 who take higher level courses and students in 12th grade are held
43 accountable for their academic growth and performance.
- 44 (5) The advantages and disadvantages of using a composite of
45 end-of-course tests or other tests such as the SAT, AP tests, or other
46 nationally standardized tests in high school rather than developing a
47 high school exit exam. If the Committee finds a high school exit exam
48 is preferable, then it shall determine whether it must be administered to
49 all students or limited to certain students, for example, those who don't
50 take the SAT or a certain number of courses for which there are
51 end-of-course tests.

1 (6) The extent to which additional testing, including field testing, practice
2 testing, and locally mandated testing, is occurring and whether this
3 should be limited or prohibited.

4 (7) Any other issue the Committee considers relevant.

5 The Committee shall report its findings and any recommendations, including
6 recommended legislation, to the 2002 Regular Session of the 2001 General Assembly.

7 **SECTION 28.17.(j)** The State Board of Education shall develop and report
8 to the Joint Legislative Education Oversight Committee on its objectives for the
9 Statewide Testing Program and on the implementation of that Program. The report shall
10 include:

- 11 (1) A statement of the relationship between these objectives and the tests
12 currently administered under the Program;
- 13 (2) An analysis of whether the current tests appropriately achieve these
14 objectives;
- 15 (3) A statement of any actions that may be needed to coordinate the
16 objectives and the tests more effectively; and
- 17 (4) Strategies for communicating the objectives of the Program, the tests
18 administered under the Program, and the relationship between these
19 objectives and tests to principals, teachers, parents, and students
20 throughout the State.

21
22 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

23 **PILOT PROGRAM AUTHORIZING THE USE OF MENTOR FUNDS FOR**
24 **FULL-TIME MENTORS**

25 **SECTION 28.18.(a)** The State Board of Education shall establish a pilot
26 program to permit the Charlotte-Mecklenburg School Administrative Unit and the Wake
27 County School Administrative Unit to use funds allocated for mentors for full-time
28 mentors.

29 Funds allocated for mentors in these units shall be used only for teachers and
30 instructional support personnel assigned to newly certified teachers, second-year
31 teachers who were assigned mentors during the prior school year, or as authorized by
32 Section 28.3 of this act, and entry-level instructional support personnel who have not
33 previously been teachers. These funds shall be used only for:

- 34 (1) Salary supplements to teachers and instructional support personnel
35 who are serving as mentors. The amount of the salary supplement shall
36 not be based on the number of teachers or instructional support
37 personnel to whom the mentor is assigned; or
- 38 (2) Payments to teachers or instructional support personnel who are
39 employed solely to serve as mentors. An individual employed solely to
40 serve as a mentor shall receive a payment for each individual, up to 15
41 individuals, to whom the mentor is assigned. The amount of each such
42 payment shall be the same as the amount of the salary supplement for a
43 mentor.

44 **SECTION 28.18.(b)** The Charlotte-Mecklenburg Board of Education and
45 the Wake County Board of Education shall report to the State Board of Education on an
46 annual basis on the impact that the mentor program has had on retention of teachers.
47 The State Board shall report on this information to the Joint Legislative Education
48 Oversight Committee.

49
50 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

51 **STUDY OF PROGRAMS FOR INITIALLY CERTIFIED TEACHERS**

52 **SECTION 28.19.** The State Board of Education shall study the mentor
53 program and the performance-based licensure program to determine whether these

1 programs provide adequate support for initially certified teachers and enhance their
2 professional development. In the course of the study, the State Board shall consider:

- 3 (1) The effectiveness of the current programs;
- 4 (2) The need for modifications to or enhancements of the current
5 programs;
- 6 (3) Alternative ways to deliver services to initially certified teachers and
7 to provide them with the resources they need to develop as
8 professionals;
- 9 (4) Strategies or alternatives for improving teacher retention rates through
10 the administration of these programs; and
- 11 (5) The adequacy of funding for programs for initially certified teachers.

12 The State Board shall report the results of this study to the Joint Legislative
13 Education Oversight Committee by February 1, 2002.

14
15 Requested by: Senators Thomas, Dalton, Lucas, Garrou, Carter, Plyler, Odom,
16 Lee

17 **PHASE IN ADM REDUCTIONS DUE TO CHARTER SCHOOLS**

18 **SECTION 28.20.(a)** If a local school administrative unit experiences a loss
19 in projected average daily membership of greater than five percent (5%) due to the
20 opening of a new charter school within the unit, the State Board of Education may use
21 funds from the Reserve for Average Daily Membership Adjustments to assure that the
22 funding loss to the local school administrative unit does not exceed five percent (5%) in
23 the first fiscal year of the charter school's operation.

24 The State Board of Education shall phase out this special allotment in
25 subsequent fiscal years by decreasing the amount of the special allotment each year by
26 the amount of the prior year's funding loss.

27 **SECTION 28.20.(b)** A local school administrative unit that received funds
28 for the 2000-2001 fiscal year pursuant to Section 8.5 of S.L. 2000-67 to reduce the loss
29 of funds due to shifts of enrollment to charter schools shall continue to receive funds for
30 the 2001-2002 fiscal year in the amount of one hundred percent (100%) of the
31 2000-2001 allotment and for the 2002-2003 fiscal year in the amount of fifty percent
32 (50%) of the 2000-2001 allotment.

33
34 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

35 **MEDICAID OUTREACH**

36 **SECTION 28.21.** If a claim for Medicaid outreach reimbursement that was
37 submitted by a local school administrative unit and paid by a federal agency is later
38 found by that agency to be inappropriate, the Department of Public Instruction shall
39 request that the federal agency offset the overpaid amount against the next quarterly
40 reimbursement due to the local school administrative unit. If the federal agency does
41 not allow the offset, the Department of Public Instruction shall request repayment from
42 the local school administrative unit, as provided for in agreements between the
43 Department of Public Instruction and the local school administrative unit or, in the case
44 of a local interagency agreement, agreements among local school administrative units.
45 If the local school administrative unit that received the overpayment fails to repay the
46 overpaid moneys within the time permitted under such agreements, the Department of
47 Public Instruction may withhold the overpaid amount from State funds allocated for the
48 central office of the local school administrative unit.

49
50 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

51 **FUNDS FOR NONINSTRUCTIONAL SUPPORT PERSONNEL MAY BE USED** 52 **FOR STAFF DEVELOPMENT**

53 **SECTION 28.22.** G.S. 115C-105.25(b) reads as rewritten:

1 "(b) Subject to the following limitations, local boards of education may transfer
2 and may approve transfers of funds between funding allotment categories:

3 (1) In accordance with a school improvement plan accepted under G.S.
4 115C-105.27, State funds allocated for teacher assistants may be
5 transferred only for personnel (i) to serve students only in kindergarten
6 through third grade, or (ii) to serve students primarily in kindergarten
7 through third grade when the personnel are assigned to an elementary
8 school to serve the whole school. Funds allocated for teacher assistants
9 may be transferred to reduce class size or to reduce the student-teacher
10 ratio in kindergarten through third grade so long as the affected teacher
11 assistant positions are not filled when the plan is amended or approved
12 by the building-level staff entitled to vote on the plan or the affected
13 teacher assistant positions are not expected to be filled on the date the
14 plan is to be implemented. Any State funds appropriated for teacher
15 assistants that were converted to certificated teachers before July 1,
16 1995, in accordance with Section 1 of Chapter 986 of the 1991 Session
17 Laws, as rewritten by Chapter 103 of the 1993 Session Laws, may
18 continue to be used for certificated teachers.

19 (2) In accordance with a school improvement plan accepted under G.S.
20 115C-105.27, (i) State funds allocated for classroom
21 materials/instructional supplies/equipment may be transferred only for
22 the purchase of textbooks; (ii) State funds allocated for textbooks may
23 be transferred only for the purchase of instructional supplies,
24 instructional equipment, or other classroom materials; and (iii) State
25 funds allocated for noninstructional support personnel may be
26 transferred only for teacher positions.

27 (2a) Up to three percent (3%) of State funds allocated for noninstructional
28 support personnel may be transferred for staff development.

29 (3) No funds shall be transferred into the central office allotment category.

30 (4) Funds allocated for children with special needs, for students with
31 limited English proficiency, and for driver's education shall not be
32 transferred.

33 (5) Funds allocated for classroom teachers may be transferred only for
34 teachers of exceptional children, for teachers of at-risk students, and
35 for authorized purposes under the textbooks allotment category and the
36 classroom materials/instructional supplies/equipment allotment
37 category.

38 (6) Funds allocated for vocational education may be transferred only in
39 accordance with any rules that the State Board of Education considers
40 appropriate to ensure compliance with federal regulations.

41 (7) Funds allocated for career development shall be used in accordance
42 with Section 17.3 of Chapter 324 of the 1995 Session Laws.

43 (8) Funds allocated for academically or intellectually gifted students may
44 be used only (i) for academically or intellectually gifted students; (ii)
45 to implement the plan developed under G.S. 115C-150.7; or (iii) in
46 accordance with an accepted school improvement plan, for any
47 purpose so long as that school demonstrates it is providing appropriate
48 services to academically or intellectually gifted students assigned to
49 that school in accordance with the local plan developed under G.S.
50 115C-150.7.

51 (9) Funds allocated in the Alternative Schools/At-Risk Student allotment
52 shall be spent only for alternative learning programs, at-risk students,
53 and school safety programs."

1
2 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

3 **RESA FUNDS SHALL BE USED FOR STAFF DEVELOPMENT**

4 **SECTION 28.23.(a)** Funds allocated to local school administrative units for
5 Regional Education Service Alliances and not expended prior to July 1, 2001, shall
6 remain available to local school administrative units for the 2001-2002 fiscal year and
7 shall be used only for the Regional Education Service Alliances or for staff
8 development.

9 **SECTION 28.23.(b)** This section becomes effective June 30, 2001.

10
11 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

12 **STUDY TEXTBOOK DISTRIBUTION SYSTEM**

13 **SECTION 28.24.** The State Board of Education shall contract for an
14 analysis of the best and most efficient method to manage textbook distribution to the
15 local schools. The Board shall prepare a Request for Proposals (RFP) outlining the
16 scope of the analysis required and select a private consultant to perform the analysis.
17 The analysis shall include such issues as timely delivery, total costs to the local school
18 systems in providing textbooks to school buildings, use of currently available
19 technology in the process, pricing practices among the textbook publishing industry,
20 and other issues the Board considers relevant to a comprehensive review of the system.

21 Prior to award of a contract, the State Board shall present the Request for
22 Proposals to the Joint Legislative Education Oversight Committee for comment. The
23 State Board shall report to the Joint Legislative Education Oversight Committee on the
24 results of the consultant's analysis, including the Board's recommendations for changes
25 in the current system. The Board shall make its final report to the Committee by April 1,
26 2002.

27
28 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

29 **ABOLISH THE NORTH CAROLINA STANDARDS BOARD FOR PUBLIC**
30 **SCHOOL ADMINISTRATION**

31 **SECTION 28.25.(a)** G.S. 115C-290.2 reads as rewritten:

32 **"§ 115C-290.2. Definitions.**

33 The following definitions apply in this Article:

- 34 (1) Repealed by Session Laws 1995, c. 116, s. 1.
35 (2) Exam. – The North Carolina Public School Administrator Exam.
36 (3) School administrator. – Public school superintendents, deputy
37 superintendents, associate superintendents, assistant superintendents,
38 principals, and assistant principals.
39 (4) ~~Standards Board. – The North Carolina Standards Board for Public~~
40 ~~School Administration."~~

41 **SECTION 28.25.(b)** G.S. 115C-290.3 is repealed.

42 **SECTION 28.25.(c)** G.S. 115C-290.4 is repealed.

43 **SECTION 28.25.(d)** G.S. 115C-290.5 reads as rewritten:

44 **"§ 115C-290.5. Powers and duties of the Board; development of the North**
45 **Carolina Public School Administrator Exam.**

46 (a) ~~The Standards Board State Board of Education~~ shall administer this Article.
47 In fulfilling this duty, the ~~Standards Board~~ shall:

- 48 (1) In accordance with subsection (c) of this section, develop and
49 implement a North Carolina Public School Administrator Exam, based
50 on the professional standards established by the ~~Standards~~
51 ~~Board Exam.~~

- 1 (2) Establish and collect an application fee not to exceed fifty dollars
 2 (\$50.00). Fees collected under this Article shall be credited to the
 3 General Fund as nontax revenue.
 4 (3) Review the educational achievements of an applicant to take the exam
 5 to determine whether the achievements meet the requirements set by
 6 G.S. 115C-290.7.
 7 (4) ~~Notify the State Board of Education of the names and addresses of the~~
 8 ~~persons who passed the exam and are thereby recommended to be~~
 9 ~~certified as public school administrators by the State Board of~~
 10 ~~Education.~~
 11 (5) Maintain accounts and records in accordance with the Executive
 12 Budget Act, Article 1 of Chapter 143 of the General Statutes.
 13 (6) Adopt rules in accordance with Chapter 150B of the General Statutes
 14 to implement this Article.
 15 (7) ~~Submit an annual report by December 1 of each year to the Joint~~
 16 ~~Legislative Education Oversight Committee of its activities during the~~
 17 ~~preceding year, together with any recommendations and findings~~
 18 ~~regarding improvement of the profession of public school~~
 19 ~~administration.~~

20 (b) ~~The Board may adopt a seal and affix it to any documents issued by the~~
 21 ~~Board.~~

22 (c) ~~The Standards Board shall submit its proposed exam to the State Board. The~~
 23 ~~State Board shall adopt or reject the proposal. The State Board shall not make any~~
 24 ~~substantive changes to any exam that it adopts. If the State Board rejects the proposal, it~~
 25 ~~shall state with specificity its reasons for rejection; the Standards Board then may~~
 26 ~~prepare another proposed exam and submit it to the State Board. If the State Board~~
 27 ~~rejects the proposed exam on its second submission, the State Board may develop and~~
 28 ~~adopt an exam by December 1, 1997. The General Assembly urges the State Board to~~
 29 ~~utilize the Standards Board's proposed exam to the maximum extent that it is consistent~~
 30 ~~with the State Board's policies if the State Board develops and adopts an exam. After an~~
 31 ~~exam has been adopted, the Standards Board may submit suggested changes to the State~~
 32 ~~Board for its approval."~~

33 **SECTION 28.25.(e)** G.S. 115C-290.6 reads as rewritten:

34 "**§ 115C-290.6. Application to the Standards Board.**State Board of Education.

35 An individual who seeks to be recommended by the Standards Board for
 36 certification by the State Board of Education, shall file a written application with the
 37 Standards Board. The application must be on a form provided by the Standards Board,
 38 must State Board of Education. The application shall be accompanied by the required
 39 application and exam fees established by the Standards Board, and must and shall
 40 include any information required by the Standards Board."

41 **SECTION 28.25.(f)** G.S. 115C-290.7 reads as rewritten:

42 "**§ 115C-290.7. Recommendation by the Standards Board.**Qualifications for
 43 certification.

44 (a) ~~The Standards Board shall for certification by the State Board an individual~~
 45 ~~who submits a complete application to the Standards Board and satisfies all of the~~
 46 ~~following requirements:~~

- 47 (1) ~~Pays the application fee established by the Standards Board.~~
 48 (2) ~~Repealed by Session Laws 1998-16, s. 1.~~
 49 (3) ~~Has~~

50 (b) To qualify for certification as a school administrator, an individual must:

- 51 (1) Submit a complete application to the State Board.
 52 (2) Pay the applicable fee.

1 (3) ~~Have a bachelors-bachelors degree from an accredited college or~~
2 ~~accredited university and (i) has university.~~

3 (4) ~~Either (i) have a graduate degree from a public school administration~~
4 ~~program that meets the public school administrator program approval~~
5 ~~standards set by the State Board of Education, or (ii) has-have a~~
6 ~~masters degree from an accredited college or accredited university and~~
7 ~~has-have completed by December 31, 1999, a public school~~
8 ~~administration program that meets the public school administration~~
9 ~~approval standards set by the State Board of Education. Education, and~~

10 (4) ~~Passes~~

11 (5) ~~Pass the exam adopted by the State Board.~~

12 (b) ~~The State Board of Education may not certify an individual as a public school~~
13 ~~administrator unless it has received notice from the Standards Board that the person is~~
14 ~~recommended by the Standards Board under this Article. The State Board may~~
15 ~~designate initial certification as a license; advanced license. Advanced training may be~~
16 ~~designated as a certified area of practice."~~

17 **SECTION 28.25.(g)** G.S. 115C-290.8 reads as rewritten:

18 **"§ 115C-290.8. Exemptions from requirements.**

19 (a) The requirements of this Article do not apply to a person who, at any time
20 during the five years preceding January 1, 1998, obtained or renewed a State
21 administrator/supervisor certificate.

22 (b) The State Board may adopt policies governing the requirements for the
23 certification of individuals who hold a certificate issued in any other state that
24 authorizes them to be employed as school administrators in that state. These policies
25 may exempt some or all of these individuals from the requirements of this Article.

26 (c) A person who is exempt from the requirements of this Article but ~~applies to~~
27 ~~the Standards Board for certification under this Article shall be subject to the Article."~~

28
29 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

30 **GUIDELINES FOR CHARTER SCHOOL ENROLLMENT**

31 **SECTION 28.26.** G.S. 115C-238.29D(d) reads as rewritten:

32 "(d) The State Board of Education may grant the initial charter for a period not to
33 exceed five years and may renew the charter upon the request of the chartering entity
34 for subsequent periods not to exceed five years each. A material revision of the
35 provisions of a charter application shall be made only upon the approval of the State
36 Board of Education. ~~Beginning with the charter school's second year of operation and~~
37 ~~annually thereafter, the State Board shall allow a charter school to increase its~~
38 ~~enrollment by ten percent (10%) of the school's previous year's enrollment or as is~~
39 ~~otherwise provided in the charter. This enrollment growth shall not be considered a~~
40 ~~material revision of the charter application and shall not require the prior approval of the~~
41 ~~State Board.~~

42 It shall not be considered a material revision of a charter application and shall not
43 require the prior approval of the State Board for a charter school to increase its
44 enrollment during the charter school's second year of operation and annually thereafter
45 (i) by up to ten percent (10%) of the school's previous year's enrollment or (ii) in
46 accordance with planned growth as authorized in the charter. Other enrollment growth
47 shall be considered a material revision of the charter application, and the State Board
48 may approve such additional enrollment growth of greater than ten percent (10%) only
49 if the State Board finds that:

50 (1) The actual enrollment of the charter school is within ten percent (10%)
51 of its maximum authorized enrollment;

52 (2) The charter school has commitments for ninety percent (90%) of the
53 requested maximum growth;

- 1 (3) The board of education of the local school administrative unit in which
 2 the charter school is located has had an opportunity to be heard by the
 3 State Board of Education on any adverse impact the proposed growth
 4 would have on the unit's ability to provide a sound basic education to
 5 its students;
 6 (4) The charter school is not currently identified as low-performing;
 7 (5) The charter school meets generally accepted standards of fiscal
 8 management; and
 9 (6) It is otherwise appropriate to approve the enrollment growth."

10
 11 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
 12 **CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL**
 13 **EVALUATION**

14 **SECTION 28.27.** The State Board of Education may spend up to fifty
 15 thousand dollars (\$50,000) a year from State Aid to Local School Administrative Units
 16 for the 2001-2002 and 2002-2003 fiscal years to continue support of a charter school
 17 advisory committee and to continue to evaluate charter schools.
 18

19 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
 20 **TEACHER ACADEMY**

21 **SECTION 28.28.(a)** G.S. 116-30.01(a) reads as rewritten:

22 "(a) The North Carolina Teacher Academy Board of Trustees shall establish a
 23 statewide network of high quality, integrated, comprehensive, collaborative, and
 24 substantial professional development for teachers, which shall be provided through
 25 summer programs. This network shall include professional development programs that
 26 focus on teaching strategies for teachers assigned to at-risk schools."

27 **SECTION 28.28.(b)** The State Board of Education shall specify professional
 28 development programs for teachers assigned to smaller classes in kindergarten through
 29 fifth grade. The Teacher Academy shall use at least ten percent (10%) of its budget for
 30 the 2001-2002 fiscal year to deliver these programs to teachers.
 31

32 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
 33 **MODIFY LAW REGARDING CHILDREN WITH DISABILITIES**

34 **SECTION 28.29.(a)** Part 5 of Article 9 of Chapter 115C of the General
 35 Statutes reads as rewritten:

36 "Part 5. Council on Educational Services for Exceptional Children.

37 "**§ 115C-121. Establishment; organization; powers and duties.**

38 (a) There is hereby established an Advisory Council to the State Board of
 39 Education to be called the Council on Educational Services for Exceptional Children.

40 (b) The Council shall consist of 23 members to be appointed as follows: ~~five~~ four
 41 ex officio members; two members one individual with a disability and one
 42 representative of a private school appointed by the Governor; two members one member
 43 of the Senate and one parent of a child with a disability appointed by the President Pro
 44 Tempore; two members one member of the House of Representatives and one parent of
 45 a child with a disability appointed by the Speaker of the House; and 12-13 members
 46 appointed by the State Board of Education. Of those members of the Council appointed
 47 by the State Board one member shall be selected from each congressional district within
 48 the State, and the members so selected shall be composed of at least one person
 49 representing each of the following: handicapped individuals, parents or guardians of
 50 children with special needs, teachers of children with special needs, and State and local
 51 education officials and administrators of programs for children with special needs. The
 52 State Board shall appoint members who represent individuals with disabilities, teachers,
 53 local school administrative units, institutions of higher education that prepare special

1 education and related services personnel, administrators of programs for children with
 2 disabilities, charter schools, parents of children with disabilities, and vocational,
 3 community, or business organizations concerned with the provision of transition
 4 services. The majority of members on the Council shall be individuals with disabilities
 5 or parents of children with disabilities. The Council shall designate a chairperson from
 6 among its members. The designation of the chairperson is subject to the approval of the
 7 State Board of Education. ~~The board shall promulgate rules or regulations. The Board~~
 8 shall adopt rules to carry out this subsection.

9 Ex officio members of the Council shall be the following:

- 10 (1) The Secretary of ~~the Department of Health and Human Services or the~~
 11 ~~Secretary's designee; designee.~~
 12 (1a)(2) ~~A representative of the Department. The Secretary of Juvenile~~
 13 ~~Justice and Delinquency Prevention, appointed by the~~
 14 ~~Governor; Prevention or the Secretary's designee.~~
 15 (2)(3) The Secretary of ~~the Department of Correction or the Secretary's~~
 16 ~~designee; designee.~~
 17 (3) ~~A representative from The University of North Carolina Planning~~
 18 ~~Consortium for Children with Special Needs; and~~
 19 (4) The Superintendent of Public Instruction or the Superintendent's
 20 designee.

21 The term of appointment for all members except those appointed by the State Board
 22 of Education ~~shall be for is~~ two years. The term for members appointed by the State
 23 Board of Education ~~shall be for is~~ four years. No person shall serve more than two
 24 consecutive four-year terms. ~~The initial term of office of the person appointed from the~~
 25 ~~12th Congressional District shall commence on January 3, 1993, and expire on June 30,~~
 26 ~~1996.~~

27 Each Council member shall serve without pay, but shall receive travel allowances
 28 and per diem in the same amount provided for members of the North Carolina General
 29 Assembly.

30 (c) The Council shall meet in offices provided by the Department of Public
 31 Instruction on a date to be agreed upon by the members of the Council from meeting to
 32 ~~meeting; Provided, however, that the meeting.~~ The Council shall meet no less than once
 33 every three months. The Department of Public Instruction shall provide the necessary
 34 secretarial and clerical staff and supplies to accomplish the objectives of the Council.

35 (d) ~~The duties of the Council shall be to:~~ Council shall:

- 36 (1) Advise the Board with respect to unmet needs within the State in the
 37 education of children with ~~special needs, as defined in this~~
 38 ~~Chapter. disabilities.~~
 39 (2) Comment publicly on ~~rules and regulations. rules, policies, and~~
 40 ~~procedures proposed for issuance by the Board regarding special~~
 41 ~~education and related services and the procedures for issuing State and~~
 42 ~~federal funds for special education and related services. the education~~
 43 ~~of children with disabilities.~~
 44 (3) Assist the Board in developing ~~and reporting such data and evaluations~~
 45 ~~as may assist the Commissioner of Education in the performance of his~~
 46 ~~duties under Part B, Education of the Handicapped Act, as amended by~~
 47 ~~Public Law 94-142. evaluations and reporting on data to the Secretary~~
 48 ~~of Education under the federal Individuals with Disabilities Education~~
 49 ~~Act (IDEA), as amended.~~
 50 (4) ~~Comment publicly on State special education plans developed~~
 51 ~~pursuant to Public Law 94-142 and State law. Advise the State Board~~
 52 ~~in developing corrective action plans to address findings identified in~~

1 federal monitoring reports required under the federal Individuals with
 2 Disabilities Education Act (IDEA), as amended.

3 (5) Advise the State Board in developing and implementing policies
 4 relating to the coordination of services for children with disabilities.

5 (6) Carry out any other responsibility as designated by federal law or the
 6 State Board."

7 **SECTION 28.29.(b)** The Joint Legislative Education Oversight Committee,
 8 in consultation with the Department of Public Instruction, shall examine the State laws
 9 governing special education and related services for children with disabilities to identify
 10 and recommend statutory changes needed to bring State law in conformity with recent
 11 changes in the federal Individuals with Disabilities Education Act (IDEA). The
 12 Committee shall report to the 2002 Regular Session of the 2001 General Assembly on
 13 its recommended changes.

14
 15 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

16 **CLOSING THE ACHIEVEMENT GAP**

17 **SECTION 28.30.(a)** G.S. 115C-105.35 reads as rewritten:

18 "**§ 115C-105.35. Annual performance goals.**

19 The School-Based Management and Accountability Program shall (i) focus on
 20 student performance in the basics of reading, mathematics, and communications skills
 21 in elementary and middle schools, (ii) focus on student performance in courses required
 22 for graduation and on other measures required by the State Board in the high schools,
 23 and (iii) hold schools accountable for the educational growth of their students. To those
 24 ends, the State Board shall design and implement an accountability system that sets
 25 annual performance standards for each school in the State in order to measure the
 26 growth in performance of the students in each individual school. For purposes of this
 27 Article, beginning school year 2002-2003, the Board shall include a 'closing the
 28 achievement gap' component in its measurement of educational growth in student
 29 performance for each school."

30 **SECTION 28.30.(b)** The State Board of Education shall report its plan to
 31 include measurement of "closing the achievement gap" in educational growth in student
 32 performance for each school to the Joint Legislative Education Oversight Committee by
 33 September 1, 2001.

34 **SECTION 28.30.(c)** G.S. 115C-12 is amended by adding a new subdivision
 35 to read:

36 "**§ 115C-12. Powers and duties of the Board generally.**

37 The general supervision and administration of the free public school system shall be
 38 vested in the State Board of Education. The State Board of Education shall establish
 39 policy for the system of free public schools, subject to laws enacted by the General
 40 Assembly. The powers and duties of the State Board of Education are defined as
 41 follows:

42 ...
 43 (30) Duty to Adopt Model Guidelines and Policies for the Establishment of
 44 Local Task Forces on Closing the Academic Achievement Gap. – The
 45 State Board shall adopt a Model for local school administrative units to
 46 use as a guideline to establish local task forces on closing the academic
 47 achievement gap at the discretion of the local board. The purpose of
 48 each task force is to advise and work with its local board of education
 49 and administration on closing the gap in academic achievement and on
 50 developing a collaborative plan for achieving that goal. The State
 51 Board shall consider the recommendations of the Commission on
 52 Improving the Academic Achievement of Minority and At-Risk

1 Students to the 2001 Session of the General Assembly in establishing
2 its guidelines."

3 **SECTION 28.30.(d)** G.S. 115C-12(27) reads as rewritten:

4 "**§ 115C-12. Powers and duties of the Board generally.**

5 The general supervision and administration of the free public school system shall be
6 vested in the State Board of Education. The State Board of Education shall establish
7 policy for the system of free public schools, subject to laws enacted by the General
8 Assembly. The powers and duties of the State Board of Education are defined as
9 follows:

10 ..
11 (27) ~~Reporting Dropout Rates and Expelled Students.~~ Rates, Suspensions,
12 Expulsions, and Alternative Placements. – The State Board shall report
13 annually to the Joint Legislative Education Oversight Committee and
14 the Commission on Improving the Academic Achievement of Minority
15 and At-Risk Students on the numbers of students who have dropped
16 out of school, been suspended, been expelled, or been placed in an
17 alternative program. The data shall be reported in a disaggregated
18 manner and be readily available to the public. The State Board shall
19 not include students that have been expelled from school when
20 calculating the dropout rate. The Board shall maintain a separate
21 record of the number of students who are expelled from school."

22 **SECTION 28.30.(e)** Section 15.1(b) of S.L. 1999-395 reads as rewritten:

23 "(b) Initial appointments to the Commission shall be made before September 15,
24 1999. The first meeting of the Commission shall be held no later than October 15, 1999.
25 Terms on the Commission are for two years and begin on the convening of the General
26 Assembly in each odd-numbered year. Members may complete a term of service on the
27 Commission even if they do not seek reelection or are not reelected to the General
28 Assembly, but resignation or removal from service in the General Assembly constitutes
29 resignation or removal from service on the Commission."

30 **SECTION 28.30.(f)** Section 15.5 of S.L. 1999-395 reads as rewritten:

31 ~~"Section 15.5. The Commission shall make an interim report of its findings and~~
32 ~~recommendations to the General Assembly not later than the convening of the 2000~~
33 ~~Regular Session of the 1999 General Assembly. The Commission shall submit to the~~
34 ~~General Assembly a final report of its findings and recommendations of this study not~~
35 ~~later than the convening of the 2001 General Assembly. The Commission shall make an~~
36 interim report to the Joint Legislative Education Oversight Committee and to the
37 General Assembly by April 1, 2002. The Commission shall submit a final report of its
38 findings and recommendations to the Joint Legislative Education Oversight Committee
39 and to the General Assembly by January 10, 2003. Upon filing its final report, the
40 Commission shall terminate."

41 **SECTION 28.30.(g)** The Commission, as reauthorized under this section,
42 shall, in addition to its other responsibilities, determine the extent to which additional
43 fiscal resources are needed to close the academic achievement gap and keep it closed.
44 The Commission shall report its findings under this subsection to the 2002 Regular
45 Session of the 2001 General Assembly.

46
47 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

48 **CLARIFY LAW REGARDING MENTORS FOR SECOND-YEAR TEACHERS**

49 **SECTION 28.31.** State funds appropriated to provide mentors for teachers
50 during their second year of teaching may be used to provide mentors for teachers whose
51 first year of teaching was in a public school in North Carolina, a public school in
52 another state, a private school, or a charter school.
53

1 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
2 **FUNDS FOR THE TESTING AND IMPLEMENTATION OF THE NEW**
3 **STUDENT INFORMATION SYSTEM**

4 **SECTION 28.32.** The State Board of Education may transfer up to one
5 million dollars (\$1,000,000) in funds appropriated for the Uniform Education Reporting
6 System for the 2001-2002 fiscal year to the Department of Public Instruction to lease or
7 purchase equipment necessary for the testing and implementation of NC WISE, the new
8 student information system in the public schools.
9

10 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
11 **EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY**

12 **SECTION 28.33.(a)** Funds appropriated for the 2001-2002 fiscal year and
13 the 2002-2003 fiscal year for Student Accountability Standards shall be used to assist
14 students in performing at or above grade level in reading and mathematics in grades 3-8
15 as measured by the State's end-of-grade tests. The State Board of Education shall
16 allocate these funds to local school administrative units based on the number of students
17 who score at Level I or Level II on either reading or mathematics end-of-grade tests in
18 grades 3-8. Funds in this allocation category shall be used to improve the academic
19 performance of (i) students who are performing at Level I or II on either reading or
20 mathematics end-of-grade tests in grades 3-8 and (ii) students who are performing at
21 Level I or II on the writing tests in grades 4 and 7. These funds may also be used to
22 improve the academic performance of students who are performing at Level I or II on
23 the high school end-of-course tests. These funds shall not be transferred to other
24 allocation categories or otherwise used for other purposes. Except as otherwise
25 provided by law, local boards of education may transfer other funds available to them
26 into this allocation category.

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

30 Continuation budget funds previously appropriated for NC Helps and for the
31 middle school pilot project shall be transferred to this allocation category.

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

36 These funds shall be allocated to local school administrative units for the
37 2001-2002 fiscal year within 30 days of the date this act becomes law.

38 **SECTION 28.33.(b)** Funds appropriated for Student Accountability
39 Standards shall not revert at the end of each fiscal year but shall remain available for
40 expenditure until August 31 of the subsequent fiscal year.
41

42 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
43 **STUDY THE SALARIES OF SCHOOL FOOD SERVICE WORKERS AND**
44 **CUSTODIANS**

45 **SECTION 28.34.** The Joint Legislative Education Oversight Committee
46 shall study the salaries of food service workers and custodians employed by the public
47 schools. The Committee shall report its findings to the 2002 Regular Session of the
48 2001 General Assembly.
49

50 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
51 **FUNDS TO NONPROFIT SCHOOL AGENCIES**

52 **SECTION 28.35.** Funds in the amount of two million five hundred thousand
53 dollars (\$2,500,000) are appropriated in this act to the State Board of Education to

1 contract with nonprofit school agencies for services. Prior to entering into such
2 contracts, the State Board of Education shall determine that the contractual services will
3 positively affect student curriculum and achievement. All contracts shall have
4 deliverables with measurable results.

5
6 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

7 **CHARACTER EDUCATION**

8 **SECTION 28.36.** The State Board of Education shall use funds appropriated
9 in this act for character education to develop a model character education curriculum for
10 the public schools. The Board may contract with an outside consultant to implement the
11 provisions of this act.

12
13 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

14 **STUDY OF SALARY DIFFERENTIALS FOR SUPPORT PERSONNEL**

15 **SECTION 28.37.** The Joint Legislative Education Oversight Committee
16 shall study salary differentials for instructional and noninstructional support personnel.
17 In the course of the study, the Committee shall consider salary differentials based on
18 degrees and other educational credentials, licensure or certification by State agencies,
19 licensure or certification by private entities, and other factors. The Committee shall
20 report its findings and recommendations to the 2002 Regular Session of the 2001
21 General Assembly.

22
23 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

24 **FLEXIBILITY TO IMPLEMENT BASE BUDGET REDUCTION**

25 **SECTION 28.38.** Notwithstanding any other provision of law, the
26 Department of Public Instruction may use salary reserve funds and other funds in the
27 Department's continuation budget to transfer and reclassify positions as necessary to
28 implement the base budget reductions for the 2001-2003 fiscal biennium.

29
30 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

31 **FUNDS FOR INSTRUCTIONAL SUPPLIES**

32 **SECTION 28.39.(a)** The funds appropriated in this act for classroom
33 materials/instructional supplies/equipment shall be used to enable classroom teachers to
34 purchase up to two hundred dollars (\$200.00) of supplies for their classrooms.

35 **SECTION 28.39.(b)** Local school administrative units shall report to the
36 Department of Public Instruction by December 15, 2001, on the implementation of this
37 section by the unit.

38
39 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

40 **TRANSFER OF THE NC WISEOWL WEB SITE TO THE DEPARTMENT OF**
41 **CULTURAL RESOURCES**

42 **SECTION 28.40.(a)** The Department of Public Instruction shall use funds
43 appropriated to continue the subscriptions currently available on the Department's NC
44 WISEOWL web site for the 2001-2002 fiscal year. The Department of Public
45 Instruction shall work collaboratively with the Department of Cultural Resources' NC
46 Live Program to transfer the funds appropriated and the process of accessing the
47 subscriptions through the NC Live web site effective in fiscal year 2002-2003.

48 **SECTION 28.40.(b)** Effective July 1, 2002, all operations related to
49 subscriptions to the Department of Public Instruction's web site, NC WISEOWL, are
50 transferred from the Department of Public Instruction to the Department of Cultural
51 Resources, NC Live Program. The purpose of this transfer is to consolidate services to
52 teachers and students.

1 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee,
2 Ballance

3 **BERTIE AND RUTHERFORD COUNTIES MAY ACQUIRE PROPERTY FOR**
4 **PUBLIC SCHOOLS**

5 **SECTION 28.41.** G.S. 153A-158.1(e), as amended by S.L. 2001-76, reads
6 as rewritten:

7 "(e) Scope. – This section applies to Alamance, Alexander, Alleghany, Anson,
8 Ashe, Avery, Bertie, Bladen, Brunswick, Burke, Cabarrus, Caldwell, Camden, Carteret,
9 Catawba, Cherokee, Chowan, Columbus, Craven, Cumberland, Currituck, Dare,
10 Davidson, Davie, Duplin, Durham, Edgecombe, Forsyth, Franklin, Gaston, Gates,
11 Graham, Greene, Guilford, Halifax, Harnett, Haywood, Henderson, Hoke, Hyde,
12 Iredell, Jackson, Johnston, Jones, Lee, Lenoir, Lincoln, Macon, Madison, Martin,
13 McDowell, Mecklenburg, Mitchell, Montgomery, Moore, Nash, New Hanover, Onslow,
14 Orange, Pamlico, Pasquotank, Pender, Perquimans, Person, Pitt, Randolph, Richmond,
15 Robeson, Rockingham, Rowan, Rutherford, Sampson, Scotland, Stanly, Stokes, Surry,
16 Union, Vance, Wake, Watauga, Wayne, Wilkes, and Wilson Counties."

17
18 **PART XXIX. HIGH PRIORITY SCHOOL ASSISTANCE AND**
19 **ACCOUNTABILITY**

20
21 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee
22 **IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY**
23 **SCHOOLS**

24 **SECTION 29.1.** Of funds appropriated from the General Fund to State Aid
25 to Local School Administrative Units, the sum of ten million eight hundred seventy-six
26 thousand four hundred thirty-eight dollars (\$10,876,438) for the 2001-2002 fiscal year
27 and the sum of twelve million two hundred thirty-seven thousand nine hundred thirteen
28 dollars (\$12,237,913) for the 2002-2003 fiscal year shall be used to provide the State's
29 lowest-performing elementary schools with the tools needed to dramatically improve
30 student achievement. These funds shall be used for the 37 elementary schools at which,
31 for the 1999-2000 school year, over eighty percent (80%) of the students qualified for
32 free or reduced-price lunches and no more than fifty-five percent (55%) of the students
33 performed at or above grade level. Of these funds:

- 34 (1) The sum of \$8,062,603 for the 2001-2002 fiscal year and the sum of
35 \$8,062,603 for the 2002-2003 fiscal year shall be used to reduce class
36 size at each of these schools to ensure that no class in kindergarten
37 through third grade has more than 15 students;
- 38 (2) The sum of \$973,455 for the 2001-2002 fiscal year shall be used to
39 extend teachers' contracts at these schools by five days for staff
40 development, including staff development on methods to individualize
41 instruction in smaller classes, and preparation for the 2001-2002
42 school year and the sum of \$2,334,930 for the 2002-2003 fiscal year
43 shall be used to extend teachers' contracts for a total of 10 days,
44 including five additional days of instruction with related costs for other
45 than teachers salaries, for the 2002-2003 school year; and
- 46 (3) The sum of \$1,840,380 for the 2001-2002 fiscal year and the sum of
47 \$1,840,380 for the 2002-2003 fiscal year shall be used to provide one
48 additional instructional support position at each priority school.

49 Any teacher assistants displaced from jobs in these highest priority
50 elementary schools shall be given preferential consideration for vacant teacher assistant
51 positions at other schools in the local school administrative unit, provided their job
52 performance has been satisfactory.
53

1 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

2 **IMMEDIATE ACTIONS TO ADDRESS TEACHER SHORTAGE**

3 **SECTION 29.2.(a)** Of the funds appropriated from the General Fund to
4 State Aid to Local School Administrative Units, the sum of two million five hundred
5 thousand dollars (\$2,500,000) for the 2001-2002 fiscal year and the sum of two million
6 five hundred thousand dollars (\$2,500,000) for the 2002-2003 fiscal year shall be used
7 to expand the pool of qualified teachers and to provide recruitment and retention
8 incentives to attract and retain high-quality teachers to low-performing schools and
9 schools with shortages of teachers in certain areas of certification. Of these funds:

- 10 (1) The sum of \$1,000,000 for the 2001-2002 fiscal year and the sum of
11 \$1,000,000 for the 2002-2003 fiscal year shall be used to provide
12 additional scholarship funds for teacher assistants taking courses that
13 are prerequisites for teacher certification programs; and
14 (2) The sum of \$1,500,000 for the 2001-2002 fiscal year and the sum of
15 \$1,500,000 for the 2002-2003 fiscal year shall be used to provide
16 annual bonuses of \$1,800 to teachers certified in and teaching in the
17 fields of mathematics, science, or special education at middle and high
18 schools with 80% or more of the students eligible for free or reduced
19 lunch or with 50% or more of students performing below grade level
20 in Algebra I and Biology. The bonus shall be paid monthly with
21 matching benefits. Teachers shall remain eligible for the bonuses so
22 long as they continue to teach in one of these disciplines at a school
23 that was eligible for the bonus program when the teacher first received
24 the bonus.

25 **SECTION 29.2.(b)** The Joint Legislative Education Oversight Committee
26 shall study the effectiveness of providing benefits to part-time teachers as a means to
27 recruit certified teachers back into the classroom. The Committee shall examine the
28 effectiveness of different methods of providing these benefits. The Committee shall
29 also examine the cost of the recruitment effort, including the cost of incorporating
30 existing part-time teachers into the plan. The Committee shall make a report to the
31 General Assembly by April 1, 2002.

32 **SECTION 29.2.(c)** The Joint Legislative Education Oversight Committee
33 shall study the potential effectiveness of increasing the size of the Teaching Fellows
34 Program to improve the supply of qualified teachers for the public schools. In its
35 analysis the Committee shall consider the retention of Teaching Fellows in the teaching
36 profession.

37
38 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

39 **COMPREHENSIVE ASSISTANCE TO CONTINUALLY LOW-PERFORMING**
40 **SCHOOLS**

41 **SECTION 29.3.** Chapter 115C of the General Statutes is amended by adding
42 a new section to read:

43 **"§ 115C-105.37A. Continually low-performing schools; definition; assistance and**
44 **intervention; reassignment of students.**

45 (a) Definition of Continually Low-Performing Schools. – A continually low-
46 performing school is a school that has received State-mandated assistance and has been
47 designated by the State Board as low performing for at least two of three consecutive
48 years. If the State Board identifies a school as continually low performing, the school
49 improvement team at that school shall review its school improvement plan to ensure
50 consistency with the plan adopted pursuant to G.S. 115C- 105.38(3).

51 (b) Assistance to Schools That Are Low Performing for Two Years. – If a school
52 that has received State-mandated assistance is designated by the State Board as low
53 performing for two consecutive years or for two of three consecutive years, the State

1 Board shall provide a series of progressive assistance and intervention strategies to that
2 school. These strategies shall be designed to improve student achievement and to
3 maintain student achievement at appropriate levels and may include, to the extent that
4 funds are available for this purpose, assistance such as reductions in class size,
5 extension of teacher and assistant principal contracts, extension of the instructional year,
6 and grant-based assistance.

7 (c) Intervention in Schools That Are Low Performing for Three or More Years. –
8 The State Board of Education shall develop and implement a series of actions for
9 providing assistance and intervention to schools that have previously received State-
10 mandated assistance and have been designated by the State Board as low performing for
11 three or more consecutive years or for at least three out of four years. These actions
12 shall be the least intrusive actions that are consistent with the need to improve student
13 achievement at each such school and shall be adapted to the unique characteristics of
14 each such school and the effectiveness of other actions developed or implemented to
15 improve student achievement at each such school."

16
17 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

18 **ADDITIONS TO THE LOCAL SUPERINTENDENT'S PLAN TO IMPROVE A**
19 **LOW-PERFORMING SCHOOL**

20 **SECTION 29.4.** G.S. 115C-105.37(a1) reads as rewritten:

21 "(a1) By July 10 of each year, each local school administrative unit shall do a
22 preliminary analysis of test results to determine which of its schools the State Board
23 may identify as low-performing under this section. The superintendent then shall
24 proceed under G.S. 115C-105.39. In addition, within 30 days of the initial identification
25 of a school as low-performing by the local school administrative unit or the State Board,
26 whichever occurs first, the superintendent shall submit to the local board a preliminary
27 plan for addressing the needs of that ~~school.~~ school, including how the superintendent
28 and other central office administrators will work with the school and monitor the
29 school's progress. Within 30 days of its receipt of this plan, the local board shall vote to
30 approve, modify, or reject this plan. Before the board makes this vote, it shall make the
31 plan available to the public, including the personnel assigned to that school and the
32 parents and guardians of the students who are assigned to the school, and shall allow for
33 written comments. The board shall submit the plan to the State Board within five days
34 of the board's vote. The State Board shall review the plan expeditiously and, if
35 appropriate, may offer recommendations to modify the plan. The local board shall
36 consider any recommendations made by the State Board."
37

38 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

39 **APPROPRIATIONS FOR CONTINUALLY LOW-PERFORMING SCHOOLS**

40 **SECTION 29.5.** Of funds appropriated from the General Fund to State Aid
41 to Local School Administrative Units, the sum of one million eight hundred seven
42 thousand two hundred fifty-six dollars (\$1,807,256) for the 2001-2002 fiscal year and
43 the sum of one million nine hundred eighty-six thousand six hundred ninety-one dollars
44 (\$1,986,691) for the 2002-2003 fiscal year shall be used to provide the State's
45 chronically low-performing schools with tools needed to dramatically improve student
46 achievement. These funds shall be used to implement any of the following strategies at
47 the schools that have not previously been implemented with State or other funds:

- 48 (1) The sum of \$471,366 for the 2001-2002 fiscal year and the sum of
49 \$471,366 for the 2002-2003 fiscal year shall be used to reduce class
50 size at a continually low-performing school to ensure that the number
51 of teachers allotted for students in grades four and five is one for every
52 17 students; and

- 1 (2) The sum of \$1,207,595 for the 2001-2002 fiscal year and the sum of
2 \$1,207,595 for the 2002-2003 fiscal year shall be used to reduce class
3 size at a continually low-performing school to ensure that the number
4 of teachers allotted in grades six through eight is one for every 17
5 students, and that the number of teachers allotted in grades nine
6 through twelve is one for every 20 students; and
- 7 (3a) The sum of \$128,295 for fiscal year 2001-2002 shall be used to extend
8 teachers' contracts at these schools by five days for staff development,
9 including methods to individualize instruction in smaller classes and
10 preparation for the 2001-2002 school year. Of these funds, the sum of
11 \$10,175 shall be used for the extension of contracts of the additional
12 teachers in grades four and five provided in subdivision (1) of this
13 section and the sum of \$118,120 shall be used for the extension of all
14 teachers' contracts at continually low-performing middle and high
15 schools for the 2001-2002 school year; and
- 16 (3b) The sum of \$307,730 for fiscal year 2002-2003 shall be used to extend
17 teachers' contracts for a total of 10 days, including five days of
18 additional instruction with related costs for other than teachers'
19 salaries for the 2002-2003 school year. Of these funds, the sum of
20 \$24,405 shall be used for the extension of contracts of the additional
21 teachers in grades four and five provided in subdivision (1) of this
22 section and the sum of \$283,325 shall be used for the extension of all
23 teachers' contracts at continually low-performing middle and high
24 schools for the 2002-2003 school year.

25
26 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

27 **EVALUATION OF INITIATIVES TO ASSIST HIGH-PRIORITY SCHOOLS**

28 **SECTION 29.6.(a)** In order for the high-priority schools identified in
29 Section 29.1 of this act to remain eligible for the additional resources provided in this
30 section, the schools must meet the expected growth for each year and must achieve high
31 growth for at least two out of three years, based on the State Board of Education's
32 annual performance standards set for each school. No adjustment in the allotment of
33 resources based on performance shall be made until the 2004-2005 school year.

34 **SECTION 29.6.(b)** All teaching positions allotted for students in high-
35 priority schools and continually low-performing schools in those grades targeted for
36 smaller class sizes shall be assigned to and teach in those grades and in those schools. In
37 grades K-3 in high-priority schools and in grades K-5 in continually low-performing
38 schools the maximum class size shall be no more than two students above the allotment
39 ratio in that grade. The Department of Public Instruction shall monitor class sizes at
40 these schools at the end of the first month of school and report to the State Board of
41 Education on the actual class sizes in these schools.

42 **SECTION 29.6.(c)** Of funds appropriated from the General Fund to State
43 Aid to Local School Administrative Units, the sum of five hundred thousand dollars
44 (\$500,000) for fiscal year 2001-2002 and the sum of five hundred thousand dollars
45 (\$500,000) for fiscal year 2002-2003 shall be used by the State Board of Education to
46 contract with an outside organization to evaluate the initiatives set forth in this act.

47 The evaluation shall include:

- 48 (1) An assessment of the overall impact these initiatives have had on
49 student achievement;
- 50 (2) An assessment of the effectiveness of each individual initiative set
51 forth in this act in improving student achievement;

- 1 (3) An identification of changes in staffing patterns, instructional methods,
2 staff development, and parental involvement as a result of these
3 initiatives;
- 4 (4) An accounting of how funds and personnel resources made available
5 for these schools were utilized, and the impact of varying patterns of
6 utilization on changes in student achievement; and
- 7 (5) Recommendations for the continuance and improvement of these
8 initiatives.

9 The State Board of Education shall make an initial report to the Joint
10 Legislative Education Oversight Committee regarding the results of this evaluation by
11 December 1, 2002, and annually thereafter. The State Board of Education shall submit
12 its recommendations for changes to these initiatives to the Committee at any time.

13
14 Requested by: Senators Dalton, Lucas, Garrou, Carter, Plyler, Odom, Lee

15 **ALLOCATION OF FEDERAL FUNDS FOR PRIORITY SCHOOLS**

16 **SECTION 29.7.** The State Board of Education shall make every effort to
17 coordinate the use of State and federal funds to avoid duplication or overlap of services,
18 and to ensure that the benefits of smaller class sizes accrue to as many at-risk students
19 as possible.

20
21
22 **PART XXX. COMMUNITY COLLEGES**

23
24 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

25 **COMMUNITY COLLEGE FUNDING FLEXIBILITY**

26 **SECTION 30.1.** A local community college may use all State funds
27 allocated to it, except for Literacy Funds and Funds for New and Expanding Industries,
28 for any authorized purpose that is consistent with the college's Institutional
29 Effectiveness Plan. Each local community college shall include in its Institutional
30 Effectiveness Plan a section on how funding flexibility allows the college to meet the
31 demands of the local community and to maintain a presence in all previously funded
32 categorical programs.

33 No more than two percent (2%) systemwide shall be transferred from faculty
34 salaries without the approval of the State Board of Community Colleges. The State
35 Board shall report on any such transfers above two percent (2%) systemwide to the Joint
36 Legislative Commission on Governmental Operations at its next meeting.

37
38 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

39 **PERMIT TRANSFERS OF FUNDS TO THE NEW AND EXPANDING**
40 **INDUSTRY TRAINING PROGRAM**

41 **SECTION 30.2.** Notwithstanding G.S. 143-16.3, G.S. 143-23, or any other
42 provision of law, the Director of the Budget may, after consultation with the Joint
43 Legislative Commission on Governmental Operations, transfer funds from any agency
44 or program funded from the General Fund to the New and Expanding Industry Training
45 Program to supplement the needs of this Program during the 2001-2003 biennium.

46
47 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

48 **REORGANIZATION OF THE HUMAN RESOURCES DEVELOPMENT**
49 **PROGRAM**

50 **SECTION 30.3.(a)** The State Board of Community Colleges shall establish
51 a committee to develop and recommend to the Board a core series of employability
52 skills training classes that should be coded in the Continuing Education Master Course
53 List as Human Resources Development.

SECTION 30.3.(b) The State Board of Community Colleges may waive tuition and fees for enrollment in classes coded in the Common Course Catalogue as Human Resources Development if the individual enrolling:

- (1) Is unemployed;
- (2) Has received notification of a pending layoff;
- (3) Is working and is eligible for the Federal Earned Income Tax Credit (FEITC); or
- (4) Is working and earning wages at or below two hundred percent (200%) of the federal poverty guidelines.

Individuals for whom tuition and fees are waived must sign a form adopted by the State Board of Community Colleges verifying that they meet one of these criteria.

SECTION 30.3.(c) The State Board of Community Colleges shall study the feasibility of integrating the delivery of human resource development services into the framework of the JobLink Career Centers. The Board shall report its recommendations to the Joint Legislative Education Oversight Committee by May 1, 2002.

SECTION 30.3.(d) The State Board of Community Colleges shall report to the Joint Legislative Education Oversight Committee on its reorganization of the Human Resources Development Program by January 1, 2003.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

MANAGEMENT INFORMATION SYSTEM FUNDS

SECTION 30.4. Funds appropriated for the Community Colleges System Office Management Information System shall not revert at the end of the 2001-2002 and 2002-2003 fiscal years but shall remain available until expended.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 30.5. There is appropriated from the Employment Security Commission Training and Employment Account created in G.S. 96-6.1 to the North Carolina Community Colleges System Office the sum of twenty-six million five hundred thirty thousand seven hundred twenty-five dollars (\$26,530,725) for the 2001-2002 fiscal year. These funds shall be used as follows:

	<u>2001-2002</u>
1. Equipment Funds	\$18,030,725
2. New and Expanding Industry Training Programs	7,000,000
3. Focused Industrial Training Programs	<u>1,500,000</u>
TOTAL	\$26,530,725

Funds allocated for equipment, New and Expanding Industry Training Programs, and Focused Industrial Training Programs shall be nonreverting.

Funds allocated for equipment shall be placed in the Equipment Reserve Fund and shall be allocated in accordance with the State Board's equipment allocation formula.

Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

MODIFY TERM OF COMMUNITY COLLEGE FACULTY CONTRACTS

SECTION 30.6. The General Assembly finds that standardization of the term of contracts with community college faculty members will provide the General Assembly with the data necessary to make informed decisions regarding faculty salaries and funding for the summer term. Therefore, the State Board of Community Colleges

1 shall require community colleges to convert all faculty contracts to nine-month
2 contracts covering the fall and spring semesters. Faculty members currently employed
3 for more than nine months shall be placed on supplemental contracts for the summer
4 term. These modifications in faculty contracts shall not change the salary of any faculty
5 member.

6 All faculty members employed after the date this act becomes law shall be
7 placed on nine-month contracts with supplemental contracts for the summer term.

8
9 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

10 **REALIGNMENT OF ACCOUNTS FOR INSTITUTIONAL AND**
11 **ADMINISTRATIVE SUPPORT**

12 **SECTION 30.7.** In prior fiscal years, funds for Institutional and
13 Administrative Support in the following have been appropriated in four separate
14 accounts. Since these funds are allotted to community colleges on a formula basis, this
15 level of detail is unnecessary. Therefore, beginning with the 2001-2002 fiscal year,
16 State aid accounts 536938 through 536941 shall be consolidated into a single State aid
17 account for Institutional and Academic Support to match actual practice.

18
19 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

20 **STUDY OF DISCREPANCIES IN FACULTY SALARIES**

21 **SECTION 30.8.** The Joint Legislative Education Oversight Committee shall
22 study discrepancies in community college faculty salaries. In the course of the study,
23 the Committee shall examine faculty salaries at various colleges to determine why
24 salaries at some colleges are above the State average while others are well below it.

25 The Committee shall report its findings to the 2002 Regular Session of the
26 2001 General Assembly.

27
28 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

29 **STATE BOARD RESERVE ALLOCATIONS**

30 **SECTION 30.9.** The State Board of Community Colleges shall use funds
31 from the State Board Reserve in the amount of one hundred thousand dollars (\$100,000)
32 for each fiscal year to assist small rural low-wealth community colleges with operation
33 and maintenance of plant costs if they need to assist new or expanding industries in their
34 service delivery areas.

35
36 Requested by: Senators Dalton, Metcalf, Martin of Pitt, Plyler, Odom, Lee

37 **CONSOLIDATE AND COORDINATE WORKFORCE DEVELOPMENT**
38 **PROGRAMS**

39 **SECTION 30.10.(a)** The Bureau of Training Initiatives funded by the
40 Worker Training Trust Fund is transferred from the North Carolina Department of
41 Labor to the North Carolina Community Colleges System, as if by a Type I transfer as
42 defined in G.S. 143A-6, with all the elements of such a transfer. The Bureau of
43 Training Initiatives is designed to provide training services and develop new training
44 innovations similar to the North Carolina Community Colleges System's Workforce
45 Development programs. Consolidating these efforts at North Carolina Community
46 Colleges System will result in greater efficiencies and coordination.

47 No changes in the organizational structure of the programs transferred under
48 this subsection, other than those provided by this subsection, shall take place prior to
49 October 1, 2001. The State Board of Community Colleges shall present a plan for such
50 changes to the Joint Legislative Education Oversight Committee no less than 30 days
51 before they are proposed to become effective.

52 **SECTION 30.10.(b)** The Apprenticeship program currently housed within
53 the North Carolina Department of Labor is transferred to the North Carolina

1 Community Colleges System, as if by a Type I transfer as defined in G.S. 143A-6, with
2 all the elements of such a transfer. Joint delivery of Apprenticeship and Community
3 College workforce training programs will ensure coordination of program delivery and
4 appropriate classroom training supporting the needs of the client and the employer. The
5 community colleges already provide the majority of classroom training for
6 Apprenticeship.

7 If the transfer made by this subsection is subject to approval by the United
8 States Department of Labor, the effective date of this subsection is the date of such
9 approval.

10 No changes in the organizational structure of the programs transferred under
11 this subsection, other than those provided by this subsection, shall take place prior to
12 October 1, 2001. The State Board of Community Colleges shall present a plan for such
13 changes to the Joint Legislative Education Oversight Committee no less than 30 days
14 before they are proposed to become effective.

15 **SECTION 30.10.(c)** Effective July 1, 2001, there is established within the
16 Department of Commerce an Assistant Secretary for Employment Services and
17 Workforce Development which shall be supported by appropriate receipt funds from the
18 North Carolina Commission on Workforce Development and the Employment Security
19 Commission.

20 **SECTION 30.10.(d)** Except as provided in subsection (b) of this section,
21 notwithstanding Chapter 96 of the General Statutes, effective July 1, 2001, all divisions,
22 sections, offices, and activities of the Employment Security Commission are transferred
23 into the Department of Commerce. The transfer is a Type I transfer, with all the
24 elements provided by G.S. 143A-6(a). The administration of the Unemployment
25 Insurance Program, the Job Service Program, the Labor Market Information Program
26 and any other administrative functions of the Employment Security Commission are
27 transferred to the Assistant Secretary for Employment Services and Workforce
28 Development.

29 **SECTION 30.10.(e)** The Employment Security Commission will continue
30 as the body responsible for adjudicating claims in the State's Unemployment Insurance
31 Program and will be housed administratively under the Department of Commerce.

32 **SECTION 30.10.(f)** G.S. 96-3 reads as rewritten:

33 **"§ 96-3. Employment Security Commission.**

34 (a) Organization. – There is hereby created a commission to be known as the
35 Employment Security Commission of North Carolina. The Commission shall consist of
36 seven members to be appointed by the Governor on or before July 1, 1941. The
37 Governor shall have the power to designate the member of said Commission who shall
38 act as the chairman thereof. ~~The chairman of the Commission shall not engage in any~~
39 ~~other business, vocation or employment.~~ Three members of the Commission shall be
40 appointed by the Governor to serve for a term of two years. Three members shall be
41 appointed to serve for a term of four years, and upon the expiration of the respective
42 terms, the successors of said members shall be appointed for a term of four years each,
43 thereafter, and the member of said Commission designated by the Governor as chairman
44 shall serve at the pleasure of the Governor. Any member appointed to fill a vacancy
45 occurring in any of the appointments made by the Governor prior to the expiration of
46 the term for which his predecessor was appointed shall be appointed for the remainder
47 of such term. The Governor may at any time after notice and hearing, remove any
48 Commissioner for gross inefficiency, neglect of duty, malfeasance, misfeasance, or
49 nonfeasance in office.

50 (b) Divisions. ~~The Commission shall establish two coordinate divisions: the~~
51 ~~North Carolina State Employment Service Division, created pursuant to G.S. 96-20, and~~
52 ~~the Unemployment Insurance Division. Each division shall be responsible for the~~
53 ~~discharge of its distinctive functions. Each division shall be a separate administrative~~

1 ~~unit with respect to personnel and duties, except insofar as the Commission may find~~
2 ~~that such separation is impracticable. Notwithstanding any other provision of this~~
3 ~~Chapter, administrative organization of the agency shall be in accordance with that~~
4 ~~which the Commission finds most desirable in order to perform the duties and functions~~
5 ~~of the agency.~~

6 (c) ~~Salaries. – The chairman of the Employment Security Commission of North~~
7 ~~Carolina, appointed by the Governor, shall be paid from the Employment Security~~
8 ~~Administration Fund a salary payable on a monthly basis, which salary shall be fixed by~~
9 ~~the General Assembly in the Current Operations Appropriations Act; and the members~~
10 ~~of the Commission, other than the chairman, Commission shall each receive the same~~
11 ~~amount per diem for their services as is provided for the members of other State boards,~~
12 ~~commissions, and committees who receive compensation for their services as such,~~
13 ~~including necessary time spent in traveling to and from his place of residence within the~~
14 ~~State to the place of meeting while engaged in the discharge of the duties of his office~~
15 ~~and his actual traveling expenses, the same to be paid from the aforesaid fund–fund,~~
16 ~~except, if the chairman is an employee or officer of the Department of Commerce, no~~
17 ~~per diem shall be paid to the chairman.~~

18 (d) ~~Quorum. – The chairman or his designee and three members of the~~
19 ~~Commission shall constitute a quorum.~~

20 (e) ~~Chairman as Assistant Secretary. – The Chairman of the Employment~~
21 ~~Security Commission on May 15, 2001, shall serve as the Assistant Secretary for~~
22 ~~Employment Services and Workforce Development in the Department of Commerce~~
23 ~~during that person's continuance in office as chairman."~~

24 **SECTION 30.10.(g)** The divisions, sections, offices, and activities of the
25 Employment Security Commission, other than adjudication of claims in the State's
26 Unemployment Insurance Program, will be organized under and report to the Assistant
27 Secretary for Employment Services and Workforce Development. Also, the Division of
28 Employment and Training and the Commission on Workforce Development, currently
29 in the Department of Commerce, will be organized under and report to the Assistant
30 Secretary for Employment Services and Workforce Development. This transfer of the
31 Employment Security Commission and the organization of workforce development
32 programs within the Department of Commerce shall result in joint planning,
33 coordination, and efficiencies of program administration and the delivery of services of
34 the Employment Security Commission and the program administration and delivery of
35 services of the Division of Employment and Training. Additionally, this organizational
36 structure will result in close coordination with the State's economic development
37 programs and initiatives and the activities, policies, and planning of the State Economic
38 Development Board, fully implement the federally mandated delivery of workforce
39 development services through the State's One-Stop (JobLink) Career Center Delivery
40 System and coordinate workforce development services and training for the State's
41 dislocated workers.

42 No changes in the organizational structure of the programs transferred under
43 this section, other than those provided by this section, shall take place prior to October
44 1, 2001. The Secretary of Commerce shall present a plan for such changes to the Joint
45 Legislative Commission on Governmental Operations no less than 30 days before they
46 are proposed to become effective.

47 **SECTION 30.10.(h)** The Secretary of the Department of Commerce shall
48 report to the Joint Legislative Commission on Governmental Operations by April 1,
49 2002, on the organizational structure of workforce development programs within the
50 Department of Commerce and provide recommendations on General Statutes changes or
51 modifications to streamline workforce development program administration, including
52 consideration of consolidation of the duties and responsibilities of the board
53 membership of the Employment Security Commission and the Commission on

1 Workforce Development, and the delivery of services leading to efficiencies and
2 savings.

3 **SECTION 30.10.(i)** North Carolina Department of Health and Human
4 Services. – Effective July 1, 2001, the Divisions of Services for the Blind, Social
5 Services, Deaf and Hard of Hearing, Child Development, Vocational Rehabilitation and
6 any other divisions within the department that participate in job training or workforce
7 development activities are directed to plan and budget funds, staff, and services to
8 support and participate in the One-Stop (JobLink) Career Center Delivery System as
9 directed by the federal Workforce Investment Act and Executive Order #90.
10 Additionally, the Division of Social Services shall utilize existing funding streams to
11 support education and job training, and enter into a memorandum of agreement with the
12 North Carolina Community Colleges System to support these activities.

13 **SECTION 30.10.(j)** North Carolina Department of Administration: Native
14 Americans' Program. – Effective July 1, 2001, the delivery of federal and State-funded
15 workforce development services administered by the Commission on Indian Affairs
16 shall be delivered through appropriate local JobLink Career Centers for coordination
17 and access to other workforce development programs and services and shall be included
18 in the Commission on Workforce Development's 2002-2004 Strategic Plan for
19 workforce development services. Additionally, the North Carolina State Commission of
20 Indian Affairs shall utilize existing funding streams to support education and job
21 training and enter into a memorandum of agreement with the North Carolina
22 Community Colleges System to support these activities.

23 **SECTION 30.10.(k)** Positions, office equipment, computer equipment, and
24 data in the Office of State Budget and Management necessary for the evaluation of the
25 common follow-up system are transferred to the Department of Commerce effective
26 July 1, 2001.

27 **SECTION 30.10.(l)** G.S. 96-32 reads as rewritten:

28 "**§ 96-32. Common follow-up information management system created.**

29 (a) ~~The Employment Security Commission of North Carolina Department of~~
30 Commerce shall develop, implement, and maintain a common follow-up information
31 management system for tracking the employment status of current and former
32 participants in State job training, education, and placement programs. The system shall
33 provide for the automated collection, organization, dissemination, and analysis of data
34 obtained from State-funded programs that provide job training and education and job
35 placement services to program participants. In developing the system, the ESC
36 Department shall ensure that data and information collected from State agencies is
37 confidential, not open for general public inspection, and maintained and disseminated in
38 a manner that protects the identity of individual persons from general public disclosure.

39 (b) ~~The ESC in consultation with the Office of State Budget, Planning, and~~
40 Management Department of Commerce shall adopt procedures and guidelines for the
41 development and implementation of the CFS authorized under this section.

42 (c) ~~Based on data collected under the CFS, the Office of State Budget, Planning,~~
43 and Management Department of Commerce shall evaluate the effectiveness of job
44 training, education, and placement programs to determine if specific program goals and
45 objectives are attained, to determine placement and completion rates for each program,
46 and to make recommendations regarding the continuation of State funding for programs
47 evaluated. The ESC shall provide to the Office of State Budget, Planning, and
48 Management data collected under the CFS in a manner and with the frequency
49 necessary for the Office of State Budget, Planning, and Management to conduct the
50 evaluation required under this subsection. The ESC shall consult with the Office of
51 State Budget, Planning, and Management to determine the most efficient and effective
52 method for providing to the Office of State Budget, Planning, and Management data
53 collected under the CFS. The Office of State Budget, Planning, and Management shall

1 ~~maintain the same levels of confidentiality with respect to CFS data received from the~~
2 ~~ESC as is required of the ESC under this Article."~~

3 **SECTION 30.10.(m)** G.S. 96-35 reads as rewritten:

4 **"§ 96-35. Reports on common follow-up system activities.**

5 (a) ~~The Employment Security Commission of North Carolina Department of~~
6 ~~Commerce~~ shall present annually by May 1 to the General Assembly and to the
7 Governor a report of CFS activities for the preceding calendar year. The report shall
8 include information on and evaluation of job training, education, and placement
9 programs for which data was reported by State and local agencies subject to this Article.
10 Evaluation of the programs shall be on the basis of fiscal year data.

11 (b) ~~The Office of State Budget, Planning, and Management Department of~~
12 ~~Commerce~~ shall report to the Governor and to the General Assembly upon the
13 convening of each biennial session, its evaluation of and recommendations regarding
14 job training, education, and placement programs for which data was provided to the
15 CFS."

16
17 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

18 **TRANSFER OF CASH BALANCES**

19 **SECTION 30.11.** The remaining cash balance on June 30, 2001, and any
20 interest credited to the account in the 2001-2002 fiscal year in the North Carolina
21 Community Colleges System Budget Code 66800, Fund Code 6101 DCC Scholarships,
22 shall be transferred to Budget Code 66800, Fund Code 6102 CCS Financial Assistance
23 to support Need Based Financial Aid programs.

24
25 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee, Metcalf, Carter

26 **ASHEVILLE-BUNCOMBE TECHNICAL COMMUNITY COLLEGE FUNDS**

27 **DO NOT REVERT**

28 **SECTION 30.12.(a)** Funds appropriated to Asheville-Buncombe Technical
29 Community College in S.L. 1999-237 for its Small Business Center shall not revert at
30 the end of the 2000-2001 fiscal year, but shall remain available for expenditure in the
31 2001-2002 fiscal year. These funds may be used for the capital facilities and operating
32 expenses of the Small Business Center.

33 **SECTION 30.12.(b)** This section becomes effective June 30, 2001.

34
35 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

36 **MAINTENANCE OF PLANT OPERATIONS**

37 **SECTION 30.13.** G.S. 115D-31.2 reads as rewritten:

38 **"§ 115D-31.2. Maintenance of plant.**

39 (a) Notwithstanding any provisions of law to the contrary, any community
40 college that has an out-of-county student head count served on the main campus of the
41 college in excess of fifty percent (50%) of the total student head count as defined by the
42 State Board of Community Colleges, shall be provided funds for the purpose of
43 "operations of plant". ~~These funds shall not exceed eighty five percent (85%) of the~~
44 ~~funds allocated to these colleges during the 1990-91 fiscal year for this purpose. Each~~
45 ~~college that qualifies for these funds shall receive a pro rata amount of the funds that are~~
46 appropriated for this purpose.

47 (b) This section does not apply to a college that has a contract with all of the
48 counties in its service area setting out the division of maintenance of plant funds."

49
50 Requested by: Senator Purcell

51 **TRANSFER OF FUNDS TO THE SAVINGS RESERVE ACCOUNT**

52 **SECTION 30.14.** Funds in the amount of two hundred fifty thousand dollars
53 (\$250,000) that are appropriated in Section 2.1 of this act to the Community Colleges

1 System Office for collaborative educational programs at Richmond Community College
2 are hereby transferred to the Savings Reserve Account.
3

4 PART XXXI. UNIVERSITIES

5
6 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

7 AID TO PRIVATE COLLEGES

8 SECTION 31.1.(a) Part 2 of Article 1 of Chapter 116 of the General Statutes
9 is amended by adding the following new sections to read:

10 "§ 116-21.1. Financial aid for North Carolina students attending private 11 institutions of higher education in North Carolina.

12 (a) Funds shall be appropriated each fiscal year in the Current Operations
13 Appropriations Act to the Board of Governors of The University of North Carolina for
14 aid to institutions and shall be disbursed in accordance with the provisions of G.S. 116-
15 19, 116-21, and 116-22.

16 (b) The funds appropriated in compliance with this section shall be placed in a
17 separate, identifiable account in each eligible institution's budget or chart of accounts.
18 All funds in the account shall be provided as scholarship funds for needy North Carolina
19 students during the fiscal year. Each student awarded a scholarship from this account
20 shall be notified of the source of the funds and of the amount of the award. Funds not
21 utilized under G.S. 116-19 shall be available for the tuition grant program as defined in
22 G.S. 116-21.2.

23 "§ 116-21.2. Legislative tuition grants to aid students attending private institutions 24 of higher education.

25 (a) In addition to any funds appropriated pursuant to G.S. 116-19 and in addition
26 to all other financial assistance made available to institutions, or to students attending
27 these institutions, there is granted to each full-time North Carolina undergraduate
28 student attending an approved institution as defined in G.S. 116-22, a sum, to be
29 determined by the General Assembly for each academic year which shall be distributed
30 to the student as provided by this subsection.

31 (b) The tuition grants provided for in this section shall be administered by the
32 State Education Assistance Authority pursuant to rules adopted by the State Education
33 Assistance Authority not inconsistent with this section. The State Education Assistance
34 Authority shall not approve any grant until it receives proper certification from an
35 approved institution that the student applying for the grant is an eligible student. Upon
36 receipt of the certification, the State Education Assistance Authority shall remit at the
37 times as it prescribes the grant to the approved institution on behalf, and to the credit, of
38 the student.

39 (c) In the event a student on whose behalf a grant has been paid is not enrolled
40 and carrying a minimum academic load as of the tenth classroom day following the
41 beginning of the school term for which the grant was paid, the institution shall refund
42 the full amount of the grant to the State Education Assistance Authority. Each approved
43 institution shall be subject to examination by the State Auditor for the purpose of
44 determining whether the institution has properly certified eligibility and enrollment of
45 students and credited grants paid on behalf of the students.

46 (d) In the event there are not sufficient funds to provide each eligible student
47 with a full grant:

48 (1) The Board of Governors of The University of North Carolina, with the
49 approval of the Office of State Budget and Management, may transfer
50 available funds to meet the needs of the programs provided by
51 subsections (a) and (b) of this section; and

1 (2) Each eligible student shall receive a pro rata share of funds then
2 available for the remainder of the academic year within the fiscal
3 period covered by the current appropriation.

4 (e) Any remaining funds shall revert to the General Fund.

5 (f) Expenditures made pursuant to this section may be used only for secular
6 educational purposes at institutions. Expenditures made pursuant to this section shall not
7 be used for any student who:

8 (1) Is incarcerated in a State or federal correctional facility for committing
9 a Class A, B, B1, or B2 felony; or

10 (2) Is incarcerated in a State or federal correctional facility for committing
11 a Class C through I felony and is not eligible for parole or release
12 within 10 years.

13 (g) The State Education Assistance Authority shall document the number of full-
14 time equivalent North Carolina undergraduate students that are enrolled in off-campus
15 programs and the State funds collected by each institution pursuant to G.S. 116-19 for
16 those students. The State Education Assistance Authority shall also document the
17 number of scholarships and the amount of the scholarships that are awarded under G.S.
18 116-19 to students enrolled in off-campus programs. An 'off-campus program' is any
19 program offered for degree credit away from the institution's main permanent campus.

20 (h) The State Education Assistance Authority shall include in its annual report to
21 the Joint Legislative Education Oversight Committee the information it has compiled
22 and its findings regarding this program.

23 "**§ 116-21.3. Legislative tuition grant limitations.**

24 (a) No legislative tuition grant funds shall be expended for a program at an off-
25 campus site of a private institution, as defined in G.S. 116-22(1), established after May
26 15, 1987, unless (i) the private institution offering the program has previously notified
27 and secured agreement from other private institutions operating degree programs in the
28 county in which the off-campus program is located or operating in the counties adjacent
29 to that county or (ii) the degree program is neither available nor planned in the county
30 with the off-campus site or in the counties adjacent to that county.

31 (b) For purposes of this section, an 'off-campus program' is any program offered
32 for degree credit away from the institution's main permanent campus.

33 (c) Any member of the armed services, as defined in G.S. 116-143.3(a), abiding
34 in this State incident to active military duty, who does not qualify as a resident for
35 tuition purposes, as defined under G.S. 116-143.1, is eligible for a legislative tuition
36 grant pursuant to this section if the member is enrolled as a full-time student. The
37 member's legislative tuition grant shall not exceed the cost of tuition less any tuition
38 assistance paid by the member's employer."

39 **SECTION 31.1.(b)** Funds are appropriated in this act to the Board of
40 Governors of The University of North Carolina to be allocated and disbursed as
41 provided by G.S. 116-19, 116-21, 116-21.1, and 116-22. These funds shall provide up
42 to one thousand one hundred dollars (\$1,100) per full-time equivalent North Carolina
43 undergraduate student enrolled at an institution as of October 1, 2001, for the
44 2001-2002 fiscal year and up to one thousand one hundred dollars (\$1,100) per full-time
45 equivalent North Carolina undergraduate student enrolled at an institution as of October
46 1, 2002, for the 2002-2003 fiscal year.

47 **SECTION 31.1.(c)** Funds appropriated in this act to the Board of Governors
48 of The University of North Carolina shall be allocated and disbursed for legislative
49 tuition grants in compliance with G.S. 116-21.2. The funds shall be allocated as
50 follows: to each full-time North Carolina undergraduate student a sum, not to exceed
51 one thousand eight hundred dollars (\$1,800) for the 2001-2002 academic year and one
52 thousand eight hundred dollars (\$1,800) for the 2002-2003 academic year.

1 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

2 **ACADEMIC COMMON MARKET PILOT PROGRAM**

3 **SECTION 31.2.(a)** The Southern Regional Education Board currently
4 operates an Academic Common Market program. Under this program, qualified
5 students from participating states may apply to attend programs at public universities in
6 participating states that are not available in their home state's university system. North
7 Carolina's participation for graduate programs would provide a cost-effective means of
8 offering educational access for North Carolina residents. North Carolinians would be
9 able to attend graduate programs that are not available at The University of North
10 Carolina at reduced rates, and the State would avoid the cost associated with the
11 development of new academic programs.

12 **SECTION 31.2.(b)** The Board of Governors of The University of North
13 Carolina may establish a pilot program for participation in the Southern Regional
14 Education Board's Academic Common Market at the graduate program level. The
15 Board of Governors shall examine the graduate programs offered in The University of
16 North Carolina system and select for participation only those graduate programs that are
17 likely to be unique or are not commonly available in other Southern Regional Education
18 Board states. Out-of-state tuition shall be waived for students who are residents of other
19 Southern Regional Education Board states and who are participating in the Academic
20 Common Market program. If accepted into The University of North Carolina graduate
21 programs that are part of the Academic Common Market, these students shall pay
22 in-State tuition and shall be treated for all purposes of The University of North Carolina
23 as residents of North Carolina. Prior to the beginning of this pilot, the Board of
24 Governors shall submit its list of graduate programs selected to be a part of the pilot
25 program to the Joint Legislative Education Oversight Committee.

26 **SECTION 31.2.(c)** The pilot programs established under this section shall
27 terminate July 1, 2005. However, once a student is enrolled in The University of North
28 Carolina system under the Academic Common Market program, the student shall be
29 entitled to pay in-State tuition as long as the student is enrolled in that graduate
30 program. The Board of Governors shall report the success of the Academic Common
31 Market program to the Joint Legislative Education Oversight Committee by December
32 31, 2003, and by January 31, 2005, and the Committee may recommend changes, if any
33 are appropriate, to the pilot program at either of those times.

34
35 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

36 **AID TO PRIVATE MEDICAL SCHOOLS/FUNDING FORMULA**

37 **SECTION 31.3.** Part 1 of Article 1 of Chapter 116 of the General Statutes is
38 amended by adding a new section to read:

39 **"§ 116-21.3. Private medical schools—assistance funding formula.**

40 (a) Funds shall be appropriated each year in the Current Operations
41 Appropriations Act to the Board of Governors of The University of North Carolina for
42 continuation of financial assistance to the medical schools of Duke University and
43 Wake Forest University. The funds shall be disbursed on certifications of the respective
44 schools of medicine that show the number of North Carolina residents as first-year,
45 second-year, third-year, and fourth-year students in the medical school as of the
46 appropriate fiscal year.

47 (b) Disbursement to Wake Forest University shall be made in the amount of eight
48 thousand dollars (\$8,000) for each medical student who is a North Carolina resident,
49 one thousand dollars (\$1,000) of which shall be placed by the school in a fund to be
50 used to provide financial aid to needy North Carolina students who are enrolled in the
51 medical school. The maximum aid given to any student from this fund in a given year
52 shall not exceed the amount of the difference in tuition and academic fees charged by

1 the school and those charged at the School of Medicine at the University of North
2 Carolina at Chapel Hill.

3 (c) Disbursement to Duke University shall be made in the amount of five
4 thousand dollars (\$5,000) for each medical student who is a North Carolina resident,
5 five hundred dollars (\$500.00) of which shall be placed by the school in a fund to be
6 used to provide student financial aid to financially needy North Carolina students who
7 are enrolled in the medical school. No individual student may be awarded assistance
8 from this fund in excess of two thousand dollars (\$2,000) each year. In addition to this
9 basic disbursement for each year of the biennium, a disbursement of one thousand
10 dollars (\$1,000) shall be made for each medical student who is a North Carolina
11 resident in the first-year, second-year, third-year, and fourth-year classes to the extent
12 that enrollment of each of those classes exceeds 30 North Carolina students.

13 (d) The Board of Governors shall establish the criteria for determining the
14 eligibility for financial aid of needy North Carolina students who are enrolled in the
15 medical schools and shall review the grants or awards to eligible students. The Board of
16 Governors shall adopt rules for determining which students are residents of North
17 Carolina for the purposes of these programs. The Board of Governors shall also make
18 any regulations as necessary to ensure that these funds are used directly for instruction
19 in the medical programs of the schools and not for religious or other nonpublic
20 purposes. The Board of Governors shall encourage the two schools to orient students
21 toward primary care, consistent with the directives of G.S. 143-613(a). The two schools
22 shall supply information necessary for the Board to comply with G.S. 143-613(d).

23 (e) If the funds appropriated in the Current Operations Appropriations Act to the
24 Board of Governors of The University of North Carolina for continuation of financial
25 assistance to the medical schools of Duke University and Wake Forest University are
26 insufficient to cover the enrolled students in accordance with this section, then the
27 Board of Governors may transfer unused funds from other programs in the Related
28 Educational Programs budget code to cover the extra students."
29

30 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

31 **STUDY PROFESSIONAL DEVELOPMENT PROGRAMS FOR PUBLIC**
32 **SCHOOL PROFESSIONALS**

33 **SECTION 31.4.(a)** G.S. 115C-12(26) reads as rewritten:

34 "**§ 115C-12. Powers and duties of the Board generally.**

35 The general supervision and administration of the free public school system shall be
36 vested in the State Board of Education. The State Board of Education shall establish
37 policy for the system of free public schools, subject to laws enacted by the General
38 Assembly. The powers and duties of the State Board of Education are defined as
39 follows:

40 ...
41 (26) Duty to Monitor and Make Recommendations Regarding
42 Professional Development Programs. – The State Board of
43 Education, in collaboration with the Board of Governors of The
44 University of North Carolina, shall identify and make
45 recommendations regarding meaningful professional development
46 programs for professional public school employees. The programs
47 shall be aligned with State education goals and directed toward
48 improving student academic achievement. Education shall identify
49 State and local needs for professional development for professional
50 public school employees based upon the State's educational
51 priorities for improving student achievement. The State Board also
52 shall recommend strategies for addressing these needs. The
53 strategies must be research-based, proven in practice, and designed

1 for data-driven evaluation. The State Board shall report its findings
 2 and recommendations to the Joint Legislative Education Oversight
 3 Committee, the President Pro Tempore of the Senate, the Speaker
 4 of the House of Representatives, and the Board of Governors of
 5 The University of North Carolina prior to January 15, 2002, and
 6 shall review, revise, and resubmit those findings and
 7 recommendations annually thereafter. The State Board shall
 8 annually evaluate and, after consultation with the Board of
 9 Governors, make recommendations regarding professional
 10 development programs based upon the reports submitted by the
 11 Board of Governors under G.S. 116-11(12a). G.S. 116-11(12a) to
 12 determine whether the programs for professional development
 13 provided by the Center for School Leadership Development
 14 address the State and local needs identified by the State Board and
 15 whether the programs are using the strategies recommended by the
 16 State Board. Prior to January 15th of each year, the State Board
 17 shall report the results of its analysis to the Board of Governors and
 18 to the Joint Legislative Education Oversight Committee.

19 ..."

20 **SECTION 31.4.(b)** G.S. 116-11(12a) reads as rewritten:

21 "**§ 116-11. Powers and duties generally.**

22 The powers and duties of the Board of Governors shall include the following:

23 ...
 24 (12a) ~~The~~ Notwithstanding any other law, the Board of Governors of The
 25 University of North Carolina shall implement, administer, and revise
 26 programs for meaningful professional development for professional
 27 public school employees ~~based upon~~ in accordance with the
 28 evaluations and recommendations made by the State Board of
 29 Education under G.S. 115C-12(26). The programs shall be aligned
 30 with State education goals and directed toward improving student
 31 academic achievement. ~~The Board of Governors shall submit to the~~
 32 State Board of Education an annual report evaluating the professional
 33 development programs administered by the Board of Governors. ~~The~~
 34 Board of Governors shall submit to the State Board of Education an
 35 annual written report that uses data to assess and evaluate the
 36 effectiveness of the programs for professional development offered by
 37 the Center for School Leadership Development. The report shall
 38 clearly document how the programs address the State needs identified
 39 by the State Board of Education and whether the programs are utilizing
 40 the strategies recommended by the State Board. The Board of
 41 Governors also shall submit this report to the Joint Legislative
 42 Education Oversight Committee, the President Pro Tempore of the
 43 Senate, and the Speaker of the House of Representatives prior to
 44 September 15th of each year."

45 **SECTION 31.4.(c)** The Joint Legislative Education Oversight Committee
 46 shall hire an independent consultant to study and make recommendations regarding
 47 professional development for public school professionals in North Carolina. The
 48 consultant shall study:

49 (1) The professional development programs administered under the UNC
 50 Center for School Leadership Development with regard to their
 51 mission, governance structure, efficiency, and objectively measurable
 52 effectiveness in increasing student achievement.

- 1 (2) The feasibility and merits of consolidating and reducing the number of
2 professional development programs.
3 (3) The possibility of regionalizing professional development programs
4 and using a cooperative arrangement between higher educational
5 institutions and community colleges in a region to achieve the goal.
6 (4) The professional development support offered by the Department of
7 Public Instruction.
8 (5) The use of professional development funds allocated to local school
9 administrative units and individual schools.
10 (6) National research regarding effective methods for delivering
11 professional development that is shown to improve student
12 achievement.

13 The consultant shall report these findings to the Joint Legislative Education Oversight
14 Committee and also shall make recommendations regarding how existing State funds
15 should be utilized to provide effective and efficient professional development for public
16 school professionals.

17 **SECTION 31.4.(d)** The Joint Legislative Education Oversight Committee
18 shall review the consultant's findings and recommendations and shall submit to the 2002
19 Regular Session of the 2001 General Assembly recommendations to streamline,
20 reorganize, and improve the delivery of professional development for public school
21 professionals. The recommendations may address revisions to program governance and
22 mission, reallocation of funds, methods of program delivery, and methods to institute
23 ongoing program evaluation.

24 **SECTION 31.4.(e)** The Joint Legislative Education Oversight Committee
25 shall review the reports that are required to be made to the Committee. The purpose of
26 the review is to determine which reports must include information that is
27 research-based, proven in practice, and designed for data-driven research. The
28 Committee may make recommendations for changes in these reports based upon the
29 Committee's findings.
30

31 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

32 **TEACHER ASSISTANT SCHOLARSHIP FUND**

33 **SECTION 31.5.(a)** Article 23 of Chapter 116 of the General Statutes is
34 amended by adding a new section to read:

35 **"§ 116-209.35. Teacher Assistant Scholarship Fund.**

36 (a) There is established the Teacher Assistant Scholarship Fund. The purpose of
37 the Fund is to provide scholarships to teacher assistants who are pursuing college
38 degrees to become teachers. The State Education Assistance Authority shall administer
39 the Fund.

40 (b) Criteria for awarding the scholarships shall be developed by the Board of
41 Governors of The University of North Carolina in consultation with the State Board of
42 Education and the State Board of Community Colleges and shall include all of the
43 following:

- 44 (1) An applicant shall be employed full time as a teacher assistant in North
45 Carolina.
46 (2) An applicant shall be enrolled in an accredited bachelors degree
47 program in an institution of higher education in North Carolina.
48 (3) An applicant shall be a resident of North Carolina. For purposes of this
49 section, residency shall be determined by the same standard as
50 residency for tuition purposes pursuant to G.S. 116-143.1.
51 (4) Any additional criteria that the Board of Governors considers
52 necessary to administer the Fund effectively, including all of the
53 following:

- 1 a. Consideration of the appropriate numbers of minority applicants
 2 and applicants from diverse socioeconomic backgrounds to
 3 receive scholarships pursuant to this section.
 4 b. Consideration of the academic qualifications of the individuals
 5 applying to receive funds.
 6 c. Consideration of the commitment an individual applying to
 7 receive funds demonstrates to the profession of teaching.

8 (c) The Board of Governors of The University of North Carolina shall report to
 9 the Joint Legislative Education Oversight Committee by March 1 each year regarding
 10 the Fund and scholarships awarded from the Fund.

11 (d) The Board of Governors of The University of North Carolina shall adopt
 12 rules to implement this section.

13 (e) The scholarships shall be available for part-time or full-time course work
 14 through all off-campus or distance education teacher education programs."

15 **SECTION 31.5.(b)** Of the funds appropriated by this Act to the Board of
 16 Governors of The University of North Carolina the sum of one million dollars
 17 (\$1,000,000) shall be allocated to the State Education Assistance Authority to
 18 implement this section.

19
 20 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

21 **UNC BUDGET FLEXIBILITY/MUST HONOR BUDGET REDUCTIONS**

22 **SECTION 31.6.** Notwithstanding G.S. 116-30.2 or G.S. 116-30.3, neither
 23 the Office of General Administration of The University of North Carolina or any special
 24 responsibility constituent institution shall expend or use any of the following funds to
 25 modify the budget reductions imposed by this act:

- 26 (1) General Fund moneys appropriated by this act.
 27 (2) General Fund current operations appropriations credit balances
 28 remaining at the end of any fiscal year that are carried forward to the
 29 next fiscal year.

30
 31 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

32 **OFFER MODEL TEACHER EDUCATION PROGRAMS THROUGH**
 33 **DISTANCE EDUCATION**

34 **SECTION 31.7.(a)** It is the intent of the General Assembly to make teacher
 35 education programs easily accessible statewide through distance education. The
 36 General Assembly finds that the "2 + 2" program is an excellent model for teacher
 37 credential programs and encourages its use as a model.

38 **SECTION 31.7.(b)** To achieve the goal of encouraging the "2 + 2" program
 39 as a model for teacher education programs and to make those model teacher education
 40 programs available and easily accessible statewide, there are established two pilot
 41 programs based on the "2 + 2" model to be located at Appalachian State University and
 42 the University of North Carolina at Wilmington. The Board of Governors of The
 43 University of North Carolina shall report to the Joint Legislative Education Oversight
 44 Committee annually regarding the model teacher education pilot programs established
 45 by this section.

46
 47 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

48 **UNC EXEMPT FROM STATE SURPLUS PROPERTY AGENCY/RETAIN**
 49 **RECEIPTS FROM SALE OF RECYCLABLE MATERIALS OR FROM**
 50 **RECYCLING ACTIVITIES**

51 **SECTION 31.8.** Part 2 of Article 3A of Chapter 143 of the General Statutes
 52 is amended by adding a new section to read:

53 "§ 143-64.6. University of North Carolina exempted from application of Article.

1 (a) Notwithstanding any provisions or limitations of this Article, the Board of
 2 Governors of The University of North Carolina may adopt rules and procedures in order
 3 for the portion of The University of North Carolina administered by the President and
 4 by the President's staff complement established by G.S. 116-14(b) and for its constituent
 5 institutions to sell all supplies, materials, and equipment of the constituent institutions
 6 that are surplus, obsolete, or unused. All receipts from the transfer or sale of surplus,
 7 obsolete, or unused equipment of each constituent institution, minus the actual costs of
 8 the sale, that are supported by appropriations from the General Fund, shall be credited to
 9 the Department of State Treasurer as nontax revenue.

10 (b) The Office of the President may retain receipts derived from the transfer or
 11 sale of recyclable material and may use the receipts to defray the costs of its recycling
 12 activities. Each constituent institution may retain receipts derived from the transfer or
 13 sale of recyclable material and may use the receipts to defray the costs of its recycling
 14 activities. The Board of Governors shall adopt rules governing the transfer or sale of
 15 recyclable material by the Office of the President and by the constituent institutions.

16 The Office of the President may retain the receipts derived from its transfer or sale
 17 in a recycling activity. Each constituent institution may retain the receipts derived from
 18 its transfer or sale in a recycling activity.

19 (c) Unless the Office of the President or a constituent institution sells surplus
 20 property under the auspices of the State agency for surplus property, the State agency
 21 for surplus property shall not assess and collect a service charge for the acquisition,
 22 receipt, warehousing, distribution, or transfer of any University surplus property and for
 23 the transfer or sale of recyclable material."

24
 25 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

26 **SUBSTITUTION OF UNC-CH BOND PROJECTS**

27 **SECTION 31.9.** Pursuant to Section 2(b) of S.L. 2000-3, the General
 28 Assembly finds that it is in the best interest of the State to substitute an Information
 29 Technology Office Facility for the Comprehensive Renovation and Conversion for
 30 Information Technology and Data Processing, both at the University of North Carolina
 31 at Chapel Hill, as contained in Section 2(a) of S.L. 2000-3. Section 2(a) of S.L. 2000-3
 32 is therefore amended in the portion under the University of North Carolina at Chapel
 33 Hill, by adding "Information Technology Office Facility...\$9,170,000" and deleting
 34 "Comprehensive Renovation and Conversion for Information Technology and Data
 35 Processing...\$9,170,000".

36 Nothing in this section is intended to supersede any other requirement of law
 37 or policy for approval of the substituted capital improvement project.

38
 39 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

40 **MASTERS ED. ADMINISTRATION AT A&T STATE, NCCU,**
 41 **UNC-PEMBROKE/STUDY POSSIBLE PHARMACY SCHOOL AT ECSU**

42 **SECTION 31.10.(a)** G.S. 116-74.21(b) reads as rewritten:

43 "(b) No more than ~~nine~~¹² school administrator programs shall be established
 44 under the competitive proposal program. In selecting campus sites, the Board of
 45 Governors shall be sensitive to the racial, cultural, and geographic diversity of the State.
 46 Special priority shall be given to the following factors: (i) the historical background of
 47 the institutions in training educators; (ii) the ability of the sites to serve the geographic
 48 regions of the State, such as, the far west, the west, the triad, the piedmont, and the east;
 49 and, (iii) whether the type of roads and terrain in a region make commuting difficult. A
 50 school administrator program may provide for instruction at one or more campus sites."

51 **SECTION 31.10.(b)** The Board of Governors of The University of North
 52 Carolina shall include the Master of School Administration program at North Carolina
 53 Agricultural and Technical State University in Greensboro, North Carolina Central

1 University in Durham, and the University of North Carolina at Pembroke as three of the
2 12 school administrator programs established pursuant to G.S. 116-74.21. These three
3 programs shall be comparable in quality to the nine existing Master of School
4 Administration programs and shall be operated within existing funds.

5 **SECTION 31.10.(c)** The Board of Governors of The University of North
6 Carolina shall study the feasibility of establishing a School of Pharmacy at Elizabeth
7 City State University. The Board of Governors shall report its findings and
8 recommendations to the Joint Legislative Education Oversight Committee by April 1,
9 2002.

10
11 Requested by: Senators Dalton, Lucas, Garrou, Plyler, Odom, Lee

12 **UNC BOARD OF GOVERNORS MAY AUTHORIZE MANAGEMENT**
13 **FLEXIBILITY FOR SPECIAL RESPONSIBILITY CONSTITUENT**
14 **INSTITUTIONS**

15 **SECTION 31.11.** Article 1 of Chapter 116 of the General Statutes is
16 amended by adding a new Part to read:

17 "Part 3A. Management Flexibility for Special Responsibility Constituent Institutions.

18 "**§ 116-40.20. Legislative findings.**

19 (a) The General Assembly finds that The University of North Carolina and its
20 constituent institutions is one of the State's most valuable assets. The General Assembly
21 further finds that to provide the best benefit to North Carolina, the constituent
22 institutions of The University of North Carolina need special budgeting flexibility in
23 order to maximize resources, to enhance competitiveness with other peer institutions
24 regionally, nationally, and internationally, and to provide the strongest educational and
25 economic opportunity for the citizens of North Carolina.

26 (b) To ensure the continued preeminence of The University of North Carolina
27 and its constituent institutions, it is the intent of the General Assembly to strengthen and
28 improve these assets. The General Assembly commits to responsible stewardship and
29 improvement of The University of North Carolina and its constituent institutions as
30 provided by this Part.

31 "**§ 116-40.21. Board of Governors may authorize management flexibility.**

32 The Board of Governors of The University of North Carolina may authorize
33 management flexibility for any special responsibility constituent institution as provided
34 by this Part. The procedure for that authorization is the same as that to designate a
35 constituent institution a special responsibility constituent institution under G.S. 116-
36 30.1.

37 "**§ 116-40.22. Management flexibility.**

38 (a) Definition. – For purposes of this section, the term 'institution' means a
39 special responsibility constituent institution that is granted management flexibility by
40 the Board of Governors in compliance with this Part.

41 (b) Appoint and Fix Compensation of Senior Personnel. – Notwithstanding any
42 provision in Chapter 116 of the General Statutes to the contrary, the Board of Trustees
43 of an institution shall, on recommendation of the Chancellor, appoint and fix the
44 compensation of all vice-chancellors, senior academic and administrative officers, and
45 any person having permanent tenure at that institution. No later than September 30,
46 2001, the Board of Governors shall adopt policies, compensation structures, and pay
47 ranges concerning the appointment and compensation of senior personnel appointed by
48 the Board of Trustees pursuant to this section. Compensation for senior personnel fixed
49 by the Board of Trustees pursuant to this section shall be consistent with the
50 compensation structure, policies, and pay ranges set by the Board of Governors.

51 (c) Tuition and Fees. – Notwithstanding any provision in Chapter 116 of the
52 General Statutes to the contrary, in addition to any tuition and fees set by the Board of
53 Governors pursuant to G.S. 116-11(7), the Board of Trustees of the institution may

1 recommend to the Board of Governors tuition and fees for program-specific and
2 institution-specific needs at that institution without regard to whether an emergency
3 situation exists and not inconsistent with the actions of the General Assembly. The
4 institution shall retain any tuition and fees set pursuant to this subsection for use by the
5 institution.

6 (d) Personnel. – Employees of an institution shall be deemed to be employees of
7 the State and shall be subject to all provisions of State law relevant to State employees;
8 provided, however, that except as to the provisions of Articles 5, 6, 7, and 14 of Chapter
9 126 of the General Statutes, the provisions of Chapter 126 of the General Statutes shall
10 not apply to employees of the institution, and the policies and procedures governing the
11 terms and conditions of employment of the employees shall be adopted by the Board of
12 Trustees of the institution. With respect to employees who are members of the faculty of
13 the institution, no policies and procedures may be inconsistent with policies established
14 by, or adopted pursuant to delegation from, the Board of Governors of The University
15 of North Carolina.

16 (1) The Board of Trustees shall fix or approve the schedules of pay,
17 expense allowances, and other compensation and adopt position
18 classification plans for employees of the institution.

19 (2) The Board of Trustees may adopt or provide for policies and rules
20 concerning, but not limited to, annual leave, sick leave, special leave
21 with full pay or with partial pay supplementing workers' compensation
22 payments for employees injured in accidents arising out of and in the
23 course of employment, working conditions, service awards and
24 incentive award programs, grounds for dismissal, demotion, or
25 discipline, other personnel policies, and any other measures that
26 promote the hiring and retention of capable, diligent, and effective
27 career employees. However, an employee who has achieved career
28 State employee status, as defined by G.S. 126-1.1 by the date
29 management flexibility is authorized for the institution, shall not have
30 his or her compensation reduced as a result of this subdivision.
31 Further, an employee who has achieved career State employee status,
32 as defined by G.S. 126-1.1 by the date management flexibility is
33 authorized for the institution, shall be subject to the rules regarding
34 discipline or discharge that were effective on the date management
35 flexibility is authorized for the institution and shall not be subject to
36 the rules regarding discipline or discharge adopted after the date
37 management flexibility is authorized for the institution.

38 (3) The Board of Trustees may prescribe the office hours, workdays, and
39 holidays to be observed by the various offices and departments of the
40 institution.

41 (4) The Board of Trustees may establish boards, committees, or councils
42 to conduct hearings upon the appeal of employees who have been
43 suspended, demoted, otherwise disciplined, or discharged, to hear
44 employee grievances, or to undertake any other duties relating to
45 personnel administration that the Board of Trustees may direct.

46 The Board of Trustees shall submit all initial classification and pay plans and other
47 policies and rules adopted pursuant to subdivisions (1) through (4) of this subsection to
48 the Office of State Personnel for review upon adoption by that Board of Trustees. Any
49 subsequent changes to these plans, rules, and policies adopted by the Board of Trustees
50 shall be submitted to the Office of State Personnel for review. Any comments by the
51 Office of State Personnel shall be submitted to the Chancellor of that institution.

52 (e) Property. – The Board of Trustees of an institution shall establish policies and
53 rules for acquiring or disposing of any interest in real property for the use of the

1 institution. These policies and rules shall include provisions for development of
2 specifications, advertisement, and negotiations with owners for acquisition by purchase,
3 gift, lease, or rental, but not by condemnation or exercise of eminent domain on behalf
4 of the institution. This section does not authorize the Board of Trustees to encumber real
5 property. The Board of Trustees shall submit all initial policies and rules adopted
6 pursuant to this subsection to the State Property Office for review upon adoption by the
7 Board of Trustees. Any subsequent changes to these policies and rules adopted by the
8 Board of Trustees shall be submitted to the State Property Office for review. Any
9 comments by the State Property Office shall be submitted to the Chancellor of that
10 institution. After review by the Attorney General as to form and after the consummation
11 of any such acquisition, the institution shall promptly file a report concerning the
12 acquisition or disposition with the Governor and Council of State. Acquisitions and
13 dispositions of any interest in real property pursuant to this section shall not be subject
14 to the provisions of Article 36 of Chapter 143 of the General Statutes or the provisions
15 of Chapter 146 of the General Statutes. The policies and rules adopted pursuant to this
16 subsection shall apply to all property allocated to, acquired by, or otherwise under the
17 control of the institution on or after the date that management flexibility is authorized
18 for the institution.

19 (f) Purchases. – Notwithstanding the provisions of Articles 3, 3A, and 3C of
20 Chapter 143 of the General Statutes to the contrary, the Board of Trustees of an
21 institution shall establish policies and rules governing the purchasing and surplus
22 property requirements of the institution. These policies and rules shall provide for
23 requests for proposals; competitive bidding or purchasing by means other than
24 competitive bidding; contract negotiations; contract awards for purchasing supplies,
25 materials, equipment, and services that are necessary and appropriate to fulfill the
26 teaching, educational, research, and community service missions of the institution and
27 surplus property disposal. The Board of Trustees shall submit all initial policies and
28 rules adopted pursuant to this subsection to the Division of Purchase and Contract for
29 review upon adoption by the Board of Trustees. Any subsequent changes to these
30 policies and rules adopted by the Board of Trustees shall be submitted to the Division of
31 Purchase and Contract for review. Any comments by the Division of Purchase and
32 Contract shall be submitted to the Chancellor of the institution.

33 (g) Information Technology. – Notwithstanding any other provision of law, the
34 Board of Trustees of an institution shall establish policies and rules governing the
35 planning, acquisition, implementation, and delivery of information technology and
36 telecommunications at the institution. These policies and rules shall provide for security
37 and encryption standards; software standards; hardware standards; acquisition of
38 information technology consulting and contract services; disaster recovery standards;
39 and standards for desktop and server computing, telecommunications, networking,
40 video services, personal digital assistants, and other wireless technologies; and other
41 information technology matters that are necessary and appropriate to fulfill the teaching,
42 educational, research, extension, and service missions of the institution. The Board of
43 Trustees shall submit all initial policies and rules adopted pursuant to this subsection to
44 the Office of Information Technology Services for review upon adoption by the Board
45 of Trustees. Any subsequent changes to these policies and rules adopted by the Board of
46 Trustees shall be submitted to the Office of Information Technology Services for
47 review. Any comments by the Office of Information Technology Services shall be
48 submitted to the Chancellor of that institution.

49 **"§ 116-40.23. Reporting requirement; effective date of reported policies,**
50 **procedures, and rules.**

51 The Board of Trustees of a special responsibility constituent institution authorized to
52 have management flexibility under this Part shall report to the Board of Governors any
53 policies, procedures, and rules adopted pursuant to G.S. 116-40.22 prior to

1 implementation. The report shall be submitted at least 30 days before the next regularly
 2 scheduled meeting of the Board of Governors and shall become effective immediately
 3 following that same meeting unless otherwise provided for by the Board of Trustees.
 4 Any subsequent changes to the policies, procedures, or rules adopted by the Board of
 5 Trustees pursuant to G.S. 116-40.22 shall be reported to the Board of Governors in the
 6 same manner. Failure of the Board of Governors to accept, review, or otherwise
 7 consider the report submitted by the Board of Trustees shall not affect in any manner
 8 the effective date of the policies, procedures, and rules contained in the report."
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10 **PART XXXII. SALARIES AND EMPLOYEE BENEFITS**

11
 12 Requested by: Senators Plyler, Odom, Lee

13 **GOVERNOR AND COUNCIL OF STATE/NO SALARY INCREASES**

14 **SECTION 32.1.(a)** For the 2001-2002 and 2002-2003 fiscal years, the salary
 15 of the Governor shall remain the amount set by G.S. 147-11(a).

16 **SECTION 32.1.(b)** Effective July 1, 2001, the annual salaries for the
 17 members of the Council of State, payable monthly, for the 2001-2002 and 2002-2003
 18 fiscal years are:

Council of State	Annual Salary
Lieutenant Governor	\$104,523
Attorney General	104,523
Secretary of State	104,523
State Treasurer	104,523
State Auditor	104,523
Superintendent of Public Instruction	104,523
Agriculture Commissioner	104,523
Insurance Commissioner	104,523
Labor Commissioner	104,523

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 30 Requested by: Senators Plyler, Odom, Lee

31 **NONELECTED DEPARTMENT HEAD/NO SALARY INCREASES**

32 **SECTION 32.2.** In accordance with G.S. 143B-9, the maximum annual
 33 salaries, payable monthly, for the nonelected heads of the principal State departments
 34 for the 2001-2002 and 2002-2003 fiscal years are:

Nonelected Department Heads	Annual Salary
Secretary of Administration	\$102,119
Secretary of Correction	102,119
Secretary of Crime Control and Public Safety	102,119
Secretary of Cultural Resources	102,119
Secretary of Commerce	102,119
Secretary of Environment, Health, and Natural Resources	102,119
Secretary of Human Resources	102,119
Secretary of Juvenile Justice and Delinquency Prevention	102,119
Secretary of Revenue	102,119
Secretary of Transportation	102,119

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 47 Requested by: Senators Plyler, Odom, Lee

48 **CERTAIN EXECUTIVE BRANCH OFFICIALS/NO SALARY INCREASES**

49 **SECTION 32.3.** The annual salaries, payable monthly, for the 2001-2002
 50 and 2002-2003 fiscal years for the following executive branch officials are:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	\$92,946
State Controller	125,000

1	Commissioner of Banks	104,523
2	State Personnel Director	102,119
3	Chairman, Parole Commission	84,871
4	Members of the Parole Commission	78,356
5	Chairman, Utilities Commission	116,405
6	Members of the Utilities Commission	104,523
7	Executive Director, Agency for Public Telecommunications	78,356
8	General Manager, Ports Railway Commission	70,755
9	Director, Museum of Art	95,240
10	Executive Director, North Carolina Housing Finance Agency	115,031
11	Executive Director, North Carolina Agricultural Finance Authority	90,470
12	State Chief Information Officer	105,000

14 Requested by: Senators Plyler, Odom, Lee

15 **JUDICIAL BRANCH OFFICIALS/NO SALARY INCREASES**

16 **SECTION 32.4.(a)** The annual salaries, payable monthly, for specified
 17 judicial branch officials for the 2001-2002 and 2002-2003 fiscal years are:

18	Judicial Branch Officials	Annual Salary
19	Chief Justice, Supreme Court	\$118,430
20	Associate Justice, Supreme Court	115,336
21	Chief Judge, Court of Appeals	112,452
22	Judge, Court of Appeals	110,530
23	Judge, Senior Regular Resident Superior Court	107,527
24	Judge, Superior Court	104,523
25	Chief Judge, District Court	94,912
26	Judge, District Court	91,909
27	Administrative Officer of the Courts	107,527
28	Assistant Administrative Officer of the Courts	98,216

29 **SECTION 32.4.(b)** The district attorney or public defender of a judicial
 30 district, with the approval of the Administrative Officer of the Courts, shall set the
 31 salaries of assistant district attorneys or assistant public defenders, respectively, in that
 32 district such that the average salaries of assistant district attorneys or assistant public
 33 defenders in that district do not exceed sixty thousand one hundred ninety-one dollars
 34 (\$60,191), and the minimum salary of any assistant district attorney or assistant public
 35 defender is at thirty-one thousand thirty-five dollars (\$31,035), effective July 1, 2001.

36 **SECTION 32.4.(c)** The salaries in effect for the 2001-2002 and 2002-2003
 37 fiscal years for permanent, full-time employees of the Judicial Department, except for
 38 those whose salaries are itemized in this Part, shall be increased by six hundred twenty-
 39 five dollars (\$625.00), effective July 1, 2001.

41 Requested by: Senators Plyler, Odom, Lee

42 **CLERK OF SUPERIOR COURT SALARY INCREASES**

43 **SECTION 32.5.** Effective July 1, 2001, G.S. 7A-101(a) reads as rewritten:

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

48	Population	Annual Salary
49	Less than 100,000	\$69,286 \$69,911
50	100,000 to 149,999	77,827 78,452
51	150,000 to 249,999	86,369 86,994
52	250,000 and above	94,912 95,537

The salary schedule in this subsection is intended to represent the following approximate percentage of the salary of a chief district court judge:

Population	Annual Salary
Less than 100,000	73%
100,000 to 149,999	82%
150,000 to 249,999	91%
250,000 and above	100%.

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

Requested by: Senators Plyler, Odom, Lee

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASE

SECTION 32.6. Effective July 1, 2001, G.S. 7A-102(c1) reads as rewritten:

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

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$25,890 \$26,515
Maximum	45,839 46,464

Deputy Clerks	Annual Salary
Minimum	\$21,940 \$22,565
Maximum	35,309 35,934."

Requested by: Senators Plyler, Odom, Lee

MAGISTRATES' SALARY INCREASES

SECTION 32.7. Effective July 1, 2001, G.S. 7A-171.1 reads as rewritten:

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

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

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	\$26,264 \$26,889
Step 1	28,900 29,525
Step 2	31,764 32,393
Step 3	34,898 35,523
Step 4	38,327 38,952
Step 5	42,096 42,721

Step 6 46,23946,864

(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 of 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.

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service	\$20,700	\$21,325
1 or more but less than 3 years of service	21,764	22,389
3 or more but less than 5 years of service	23,905	<u>24,530</u>

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

- (2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:
- | | |
|---------------------------------------------|-----------------|
| Salary Level | Salary Level |
| on June 30, 1994 | on July 1, 1994 |
| 5 or more but less than 7 years of service | Entry Rate |
| 7 or more but less than 9 years of service | Step 1 |
| 9 or more but less than 11 years of service | Step 2 |
| 11 or more years of service | Step 3 |

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

- (3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).
- (4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

(a2) The Administrative Officer of the Courts shall provide magistrates with longevity pay at the same rates as are provided by the State to its employees subject to the State Personnel Act.

(b) Notwithstanding G.S. 138-6, a magistrate may not be reimbursed by the State for travel expenses incurred on official business within the county in which the magistrate resides."

Requested by: Senators Plyler, Odom, Lee
GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 32.8. Effective July 1, 2001, 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 ~~eighty seven thousand six hundred eighty one dollars (\$87,681)~~ eighty eight thousand three hundred six dollars (\$88,306) payable monthly. 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 Advisory Budget Commission and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

Requested by: Senators Plyler, Odom, Lee
SERGEANT-AT-ARMS AND READING CLERKS

SECTION 32.9. Effective July 1, 2001, 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 ~~two hundred eighty six dollars (\$286.00)~~ two hundred ninety-two dollars (\$292.00) 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."

Requested by: Senators Plyler, Odom, Lee

LEGISLATIVE EMPLOYEES

SECTION 32.10. The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2000-2001 by six hundred twenty-five dollars (\$625.00). Nothing in this act limits any of the provisions of G.S. 120-32.

Requested by: Senators Plyler, Odom, Lee

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 32.11. The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2001-2002 and 2002-2003, funds to the North Carolina Community Colleges System Office necessary to provide an average annual salary increase of six hundred twenty-five dollars (\$625.00) including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all permanent full-time community college institutional personnel supported by State funds. The State Board of Community Colleges shall establish guidelines for providing their salary increases to community college institutional personnel. Salary funds shall be used to provide an average annual salary increase of six hundred twenty-five dollars (\$625.00) to all full-time employees and part-time employees on a pro rata basis.

Requested by: Senators Plyler, Odom, Lee

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 32.12.(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 2001-2002 and 2002-2003, to provide an annual average salary increase of six hundred twenty-five dollars (\$625.00), including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all employees of The University of North Carolina, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Governors or the Board of Trustees of the North Carolina School of Science and Mathematics, as appropriate, and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

SECTION 32.12.(b) 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 2001-2002 and 2002-2003, to provide an annual average salary increase of two and eighty-six hundredths percent (2.86%), including funds for the employer's retirement and social security contributions, commencing July 1, 2001, for all teaching employees of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

Requested by: Senators Plyler, Odom, Lee

MOST STATE EMPLOYEES

SECTION 32.13.(a) The salaries in effect June 30, 2001, of all permanent full-time State employees whose salaries are set in accordance with the State Personnel Act, and who are paid from the General Fund or the Highway Fund shall be increased,

1 on or after July 1, 2001, unless otherwise provided by this act, by six hundred
2 twenty-five dollars (\$625.00) per year.

3 **SECTION 32.13.(b)** Except as otherwise provided in this act, the fiscal year
4 2001-2002 salaries for permanent full-time State officials and persons in exempt
5 positions that are recommended by the Governor or the Governor and the Advisory
6 Budget Commission and set by the General Assembly shall be increased by six hundred
7 twenty-five dollars (\$625.00) per year, commencing July 1, 2001.

8 **SECTION 32.13.(c)** The salaries in effect for fiscal year 2001-2002 for all
9 permanent part-time State employees shall be increased on and after July 1, 2001, by
10 pro rata amounts of the six hundred twenty-five dollars (\$625.00) per year salary
11 increase provided for permanent full-time employees covered under subsection (a) of
12 this section.

13 **SECTION 32.13.(d)** The Director of the Budget may allocate out of special
14 operating funds or from other sources of the employing agency, except tax revenues,
15 sufficient funds to allow a salary increase, on and after July 1, 2001, in accordance with
16 subsection (a), (b), or (c) of this section including funds for the employer's retirement
17 and social security contributions, for the permanent full-time and part-time employees
18 of the agency, provided the employing agency elects to make available the necessary
19 funds.

20 **SECTION 32.13.(e)** Within regular Executive Budget Act procedures as
21 limited by this act, all State agencies and departments may increase on an equitable
22 basis the rate of pay of temporary and permanent hourly State employees, subject to
23 availability of funds in the particular agency or department, by pro rata amounts of the
24 six hundred twenty-five dollars (\$625.00) per year salary increase provided for
25 permanent full-time employees covered by the provisions of subsection (a) of this
26 section, commencing July 1, 2001.

27
28 Requested by: Senators Plyler, Odom, Lee

29 **ALL STATE SUPPORTED PERSONNEL**

30 **SECTION 32.14.(a)** Salaries and related benefits for positions that are
31 funded partially from the General Fund or Highway Fund and partially from sources
32 other than the General Fund or Highway Fund shall be increased from the General Fund
33 or Highway Fund appropriation only to the extent of the proportionate part of the
34 salaries paid from the General Fund or Highway Fund.

35 **SECTION 32.14.(b)** The granting of the salary increases under this act does
36 not affect the status of eligibility for salary increments for which employees may be
37 eligible unless otherwise required by this act.

38 **SECTION 32.14.(c)** The salary increases provided in this act are to be
39 effective July 1, 2001, do not apply to persons separated from State service due to
40 resignation, dismissal, reduction in force, death, or retirement, or whose last workday is
41 prior to July 1, 2001.

42 Payroll checks issued to employees after July 1, 2001, which represent
43 payment of services provided prior to July 1, 2001, shall not be eligible for salary
44 increases provided for in this act. This subsection shall apply to all employees, subject
45 to or exempt from the State Personnel Act, paid from State funds, including public
46 schools, community colleges, and The University of North Carolina.

47 **SECTION 32.14.(d)** The Director of the Budget shall transfer from the
48 Reserve for Compensation Increases in this act for fiscal year 2001-2002 all funds
49 necessary for the salary increases provided by this act, including funds for the
50 employer's retirement and social security contributions.

51 **SECTION 32.14.(e)** Nothing in this act authorizes the transfer of funds
52 between the General Fund and the Highway Fund for salary increases.

53

1 Requested by: Senators Plyler, Odom, Lee

2 **TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES**
3 **COMMISSION SALARIES**

4 **SECTION 32.15.** For the 2001-2002 and 2002-2003 fiscal years, the
5 Secretary of Revenue shall transfer at the end of each quarter from the State sales and
6 use tax net collections received by the Department of Revenue under Article 5 of
7 Chapter 105 of the General Statutes to the State Treasurer for the Wildlife Resources
8 Fund to fund the cost of any legislative salary increase for employees of the Wildlife
9 Resources Commission.

10
11 Requested by: Senators Plyler, Odom, Lee

12 **CLEAN WATER MANAGEMENT TRUST FUND PERSONNEL**

13 **SECTION 32.16.(a)** G.S. 126-5(c1) is amended by adding a new
14 subdivision to read:

15 "(21) Employees of the Clean Water Management Trust Fund."

16 **SECTION 32.16.(b)** G.S. 113-145.7 reads as rewritten:

17 "**§ 113-145.7. Clean Water Management Trust Fund: Executive Director and staff.**

18 The Clean Water Management Trust Fund Board of Trustees, as soon as practicable
19 after its organization, shall select and appoint a competent person in accordance with
20 this section as Executive Director of the Clean Water Management Trust Fund Board of
21 Trustees. The Executive Director shall be charged with the supervision of all activities
22 under the jurisdiction of the Trustees and shall serve as the chief administrative officer
23 of the Trustees. Subject to the approval of the Trustees and the Director of the Budget,
24 the Executive Director may employ such clerical and other assistants as may be deemed
25 necessary.

26 The person selected as Executive Director shall have had training and experience in
27 conservation, protection, and management of surface water resources. The salary of the
28 Executive Director shall be fixed by the Trustees, and the Executive Director shall be
29 allowed travel and subsistence expenses in accordance with G.S. 138-6. The Executive
30 Director's salary and expenses shall be paid from the Fund. The term of office of the
31 Executive Director shall be at the pleasure of the Trustees.

32 These employees shall be exempt from the State Personnel Act, as provided in G.S.
33 126-5(c1)."

34
35 Requested by: Senators Plyler, Odom, Lee

36 **LIMIT CLEAN WATER MANAGEMENT TRUST FUND ADMINISTRATIVE**
37 **EXPENSES**

38 **SECTION 32.17.** G.S. 113-145.3(d) reads as rewritten:

39 "(d) Limit on Operating and Administrative Expenses. – No more than two
40 percent (2%) of the annual balance of the Fund on July 1 or a total sum of ~~eight~~
41 ~~hundred fifty thousand dollars (\$850,000), whichever is less, one million two hundred~~
42 five hundred thousand dollars (\$1,250,000), whichever is greater, may be used each fiscal year
43 for administrative and operating expenses of the Board of Trustees and its staff."

44
45 Requested by: Senators Plyler, Odom, Lee

46 **AMEND SALARY RESERVE**

47 **SECTION 32.18.(a)** Article 1 of Chapter 143 of the General Statutes is
48 amended by adding a new section to read:

49 "**§ 143-23.3. Salary reserve revisions.**

50 (a) The following definitions apply in this section:

51 (1) Salary reserve. – The dollar amount created when a position is
52 downgraded or filled at a salary amount less than the amount at which
53 it was previously budgeted (exclusive of hiring rate).

1 (2) Multiple individual position classifications – Three or more individual
2 position classifications.

3 (b) Notwithstanding any other provision of law, any proposed employee salary
4 increases to be funded from salary reserves as defined under this section, within any
5 individual State agency as categorized under G.S. 143-28, that may cause either: (i) a
6 salary increase for all positions in a single position classification, or (ii) intraagency-
7 wide salary increases across multiple individual position classifications, shall not be
8 granted until the Director of the Budget has first consulted with the Joint Legislative
9 Commission on Governmental Operations. The requirements of this subsection shall not
10 apply to proposed employee salary increases to be funded out of salary reserves for
11 faculty positions at the constituent institutions of The University of North Carolina
12 System.

13 (c) Salary reserve may be used only for the following:

14 (1) To increase the salary of other positions due to promotion or
15 reclassification.

16 (2) To fill a position at a salary higher than that at which the position was
17 vacated.

18 (3) To create a new position provided the position is first approved by an
19 act of the General Assembly.

20 (d) Salary reserve may be transferred only to permanent salary lines of like
21 funding source (i.e., General Fund, receipts, or Highway Fund)."

22 **SECTION 32.18.(b)** This act is effective when it becomes law.
23

24 Requested by: Senators Plyler, Odom, Lee

25 **SALARY ADJUSTMENT FUND**

26 **SECTION 32.19.** Any remaining appropriations for legislative salary
27 increases not required for that purpose may be used to supplement the Salary
28 Adjustment Fund. These funds shall first be used to provide reclassifications of those
29 positions already approved by the Office of State Personnel. The Office of State Budget
30 and Management shall report to the Joint Legislative Commission on Governmental
31 Operations prior to the allocation of salary adjustment funds for any State agency.
32

33 Requested by: Senators Rand, Plyler, Odom, Lee

34 **STATE EMPLOYEE HEALTH PLAN CHANGES**

35 **SECTION 32.20.(a)** G.S. 135-39.5 is amended by adding the following new
36 subdivision to read:

37 **"§ 135-39.5. Powers and duties of the Executive Administrator and Board of**
38 **Trustees.**

39 The Executive Administrator and Board of Trustees of the Teachers' and State
40 Employees' Comprehensive Major Medical Plan shall have the following powers and
41 duties:

42 ...
43 (26) Increasing annually the amount of the annual deductible and annual
44 aggregate maximum deductible. The increase shall be established by
45 determining the ratio of the CPI-Medical Index to such index one year
46 earlier. If the ratio indicates an increase in the CPI-Medical Index, then
47 the amount of the annual deductible and annual aggregate maximum
48 deductible may be increased by not more than the percentage increase
49 in the CPI-Medical Index. As used in this subdivision, the term 'CPI-
50 Medical Index' means the U.S. Consumer Price Index for All Urban
51 Consumers for Total Medical Care."

52 **SECTION 32.20.(b)** G.S. 135-40.1(2) reads as rewritten:

1 "(2) Deductible. – Deductible shall mean an amount of covered expenses
2 during a fiscal year which must be incurred after which benefits
3 (subject to the deductible) becomes payable. The deductible for an
4 employee, retired employee and/or his or her dependents shall be ~~two~~
5 ~~hundred fifty dollars (\$250.00)~~ four hundred dollars (\$400.00) for each
6 ~~fiscal year-year~~, except that the Executive Administrator and Board of
7 Trustees may increase annually the amount of the annual deductible in
8 accordance with G.S. 135-39.5.

9 The deductible applies separately to each covered individual in
10 each fiscal year, subject to an aggregate maximum of ~~seven one~~
11 ~~thousand two hundred fifty dollars (\$750.00)~~ (\$1,200) per family
12 (employee or retiree and his or her covered dependents) in any fiscal
13 ~~year-year~~, except that the Executive Administrator and Board of
14 Trustees may increase annually the amount of the annual aggregate
15 maximum deductible in accordance with G.S. 135-39.5.

16 If two or more family members are injured in the same accident
17 only one deductible is required for charges related to that accident
18 during the benefit period."

19 **SECTION 32.20.(c)** G.S. 135-40.4(a) reads as rewritten:

20 "(a) In the event a covered person, as a result of accidental bodily injury, disease
21 or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts
22 described in G.S. 135-40.5 through G.S. 135-40.9.

23 The Plan is divided into two parts. The first part includes certain benefits which are
24 not subject to a deductible or coinsurance. The second part is a comprehensive plan and
25 includes those benefits which are subject to both a ~~two hundred fifty dollars (\$250.00)~~
26 ~~four hundred dollars (\$400.00)~~ deductible for each covered individual to an aggregate
27 ~~maximum of seven hundred fifty dollars (\$750.00)~~ one thousand two hundred dollars
28 (\$1,200) per family and coinsurance of ~~80%/20%~~ 80%/20%, except that the amount of
29 the annual deductible and the aggregate maximum deductible may be increased
30 annually by the Executive Administrator and Board of Trustees in accordance with G.S.
31 135-39.5. There is a limit on out-of-pocket expenses under the second part.

32 Notwithstanding the provisions of this Article, the Executive Administrator and
33 Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical
34 Plan may contract with providers of institutional and professional medical care and
35 services to established preferred provider networks. The design, adoption, and
36 implementation of such preferred provider contracts and networks are not subject to the
37 requirements of Chapter 143 of the General Statutes, provided that for any hospital
38 preferred provider network all hospitals will have an opportunity to contract with the
39 Plan if they meet the contract requirements. The Executive Administrator and Board of
40 Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred
41 provider contracts on a timely basis and shall make reports as requested to the President
42 of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of
43 Representatives, and the Committee on Employee Hospital and Medical Benefits on its
44 progress in negotiating such preferred provider contracts. The Executive Administrator
45 and Board of Trustees shall implement a refined diagnostic-related grouping or
46 diagnostic-related grouping-based reimbursement system for hospitals as soon as
47 practicable, but no later than January 1, 1995."

48 **SECTION 32.20.(d)** G.S. 135-40.5(d) is repealed.

49 **SECTION 32.20.(e)** G.S. 135-40.5(g) reads as rewritten:

50 "(g) Prescription Drugs. – The Plan's allowable charges for prescription legend
51 drugs to be used outside of a hospital or skilled nursing facility are to be determined by
52 the Plan's Executive Administrator and Board of Trustees. The Plan will pay allowable
53 charges for each outpatient prescription drug less a copayment to be paid by each

1 covered individual equal to the following amounts: pharmacy charges up to ten dollars
 2 (\$10.00) for each generic prescription, ~~fifteen dollars (\$15.00) twenty-five dollars~~
 3 ~~(\$25.00)~~ for each branded prescription, and ~~twenty dollars (\$20.00) thirty-five dollars~~
 4 ~~(\$35.00)~~ for each branded prescription with a generic equivalent drug, and ~~twenty-five~~
 5 ~~dollars (\$25.00) forty dollars (\$40.00)~~ for each branded or generic prescription not on a
 6 formulary used by the Plan. Allowable charges shall not be greater than a pharmacy's
 7 usual and customary charge to the general public for a particular prescription.
 8 Prescriptions shall be for no more than a ~~34-day~~ 30-day supply for the purposes of the
 9 copayments paid by each covered individual. By accepting the copayments and any
 10 remaining allowable charges provided by this subsection, pharmacies shall not balance
 11 bill an individual covered by the Plan. A prescription legend drug is defined as an article
 12 the label of which, under the Federal Food, Drug, and Cosmetic Act, is required to bear
 13 the legend: "Caution: Federal Law Prohibits Dispensing Without Prescription." Such
 14 articles may not be sold to or purchased by the public without a prescription order.
 15 Benefits are provided for insulin even though a prescription is not required. The Plan
 16 may use a pharmacy benefit manager to help manage the Plan's outpatient prescription
 17 drug coverage. In managing the Plan's outpatient prescription drug benefits, the Plan
 18 and its pharmacy benefit manager shall not provide coverage for erectile dysfunction,
 19 ~~growth hormone, antiwrinkle, weight loss, and hair growth drugs unless such coverage~~
 20 ~~is medically necessary to the health of the member.~~ dysfunction, antiwrinkle, and hair
 21 ~~growth drugs.~~ The Plan and its pharmacy benefit manager shall not provide coverage for
 22 ~~growth hormone and weight loss drugs and antifungal drugs for the treatment of nail~~
 23 ~~fungus and botulinum toxin, and other outpatient prescription drugs authorized by the~~
 24 ~~Executive Administrator, without approval in advance by the pharmacy benefit~~
 25 ~~manager."~~

26 **SECTION 32.20.(f)** The first paragraph of G.S. 135-40.6 reads as rewritten:

27 "The following benefits are subject to a deductible of ~~two hundred fifty dollars~~
 28 ~~(\$250.00) four hundred dollars (\$400.00)~~ or the amount established in accordance with
 29 ~~G.S. 135-39.5, whichever is greater,~~ per covered individual to an aggregate maximum
 30 ~~of seven hundred fifty dollars (\$750.00) one thousand two hundred dollars (\$1,200) or~~
 31 ~~the amount established in accordance with G.S. 139-39.5, whichever is greater,~~ per
 32 family per fiscal year and are payable on the basis of eighty percent (80%) by the Plan
 33 and twenty percent (20%) by the covered individual up to a maximum of one thousand
 34 ~~dollars (\$1,000) five hundred dollars (\$1,500) out-of-pocket per fiscal year:"~~.

35 **SECTION 32.20.(g)** G.S. 135-40.6(1)f. reads as rewritten:

36 "(1) In-Hospital Benefits. – The Plan pays in-hospital benefits for each
 37 single confinement, when charged by a hospital, for room
 38 accommodations, including bed, board and general nursing care, but
 39 not to exceed the charge for semiprivate room or ward
 40 accommodations, or the rate negotiated for the Plan. Under the DRG
 41 reimbursement system, the coinsurance shall be based on the lower of
 42 the DRG amount or charges.

43 The Plan will pay the following covered charges, when charged by
 44 a hospital, for each confinement.

45 ...

46 f. ~~Physical-Physical, speech, and occupational therapy."~~

47 **SECTION 32.20.(h)** G.S. 135-40.6(3) reads as rewritten:

48 "(3) Skilled Nursing Facility Benefits. – The Plan will pay benefits in a
 49 skilled nursing facility licensed under applicable State laws for not
 50 more than 80 days per fiscal year, as follows:

51 After discharge from a hospital for which inpatient hospital
 52 benefits were provided by this Plan for a period of not less than three
 53 days, and treatment consistent with the same illness or condition for

1 which the covered individual was hospitalized, the daily charges will
2 be paid for room and board in a semiprivate room or any multibed unit
3 up to the maximum benefit specified in subsection (1) of this section,
4 less the days of care already provided for the same illness in a hospital.
5 Plan allowances for total daily charges may be negotiated but will not
6 exceed the daily semiprivate hospital room rate as determined by the
7 Plan.

8 Credit will be allowed toward private room charges in an amount
9 equal to the facility's most prevalent charge for semiprivate
10 accommodations. Charges will also be paid for general nursing care
11 and other services which would ordinarily be covered in a general
12 hospital. In order to be eligible for these benefits, admission must
13 occur within 14 days of discharge from the hospital.

14 In order to qualify for benefits provided by a skilled nursing
15 facility, the following stipulations apply:

- 16 a. The services are medically required to be given on an inpatient
17 basis because of the covered individual's need for medically
18 necessary skilled nursing care on a continuing daily basis for
19 any of the conditions for which he or she was receiving
20 inpatient hospital services prior to transfer from a hospital to the
21 skilled nursing facility or for a condition requiring such services
22 which arose after such transfer and while he or she was still in
23 the facility for treatment of the condition or conditions for
24 which he or she was receiving inpatient hospital services,
25 b. Only on prior referral by and so long as, the patient remains
26 under the active care of an attending doctor and the patient
27 requires continual hospital confinement without the care and
28 treatment of the skilled nursing facility, and
29 c. Approved in advance by the Claims Processor.

30 For facilities not qualified for delivery of services covered by the
31 benefits of Title XVIII of the Social Security Act (Medicare), neither
32 the Plan nor any of its members shall be billed or held liable by such
33 facilities for charges that otherwise would be covered by Medicare."

34 **SECTION 32.20.(i)** G.S. 135-40.6(8)e. reads as rewritten:

- 35 "e. Prosthetic and Orthopedic Appliances and Durable Medical
36 Equipment: Appliances and equipment including corrective and
37 supportive devices such as artificial limbs and eyes,
38 wheelchairs, traction equipment, inhalation therapy and suction
39 machines, hospital beds, braces, orthopedic corsets and trusses,
40 not more than three hundred fifty dollars (\$350.00) for
41 therapeutic shoes for diabetes and other high-risk conditions,
42 and other prosthetic appliances or ambulatory apparatus which
43 are provided solely for the use of the participant. Eligible
44 charges include repair and replacement when medically
45 necessary. Benefits will be provided on a rental or purchase
46 basis at the sole discretion of the Claims Processor and
47 agreements to rent or purchase shall be between the Claims
48 Processor and the supplier of the appliance.

49 For the purposes of this subdivision, the term "durable
50 medical equipment" means standard equipment normally used
51 in an institutional setting which can withstand repeated use, is
52 primarily and customarily used to serve a medical purpose, is
53 generally not useful to a person in the absence of an illness or

1 injury and is appropriate for use in the home. Decisions of the
 2 Claims Processor, the Executive Administrator and Board of
 3 Trustees as to compliance with this definition and coverage
 4 under the Plan shall be final."

5 **SECTION 32.20.(j)** G.S. 135-40.6(8)m. reads as rewritten:

6 "m. Cardiac Rehabilitation: Charges not to exceed ~~six hundred fifty~~
 7 ~~dollars (\$650.00) the greater of one thousand three hundred~~
 8 ~~dollars (\$1,300) or 60 days per fiscal year for cardiac testing~~
 9 ~~and exercise therapy, when determined medically necessary by~~
 10 ~~an attending physician and approved by the Claims Processor~~
 11 ~~for patients with a medical history of myocardial infarction,~~
 12 ~~angina pectoris, arrhythmias, cardiovascular surgery,~~
 13 ~~hyperlipidemia, or hypertension, year. Coverage is limited to~~
 14 ~~patients with Coronary Artery Bypass Graft (CABG),~~
 15 ~~status/post myocardial infarction, Percutaneous Transluminar~~
 16 ~~Coronary Angioplasty (PTCA) or stent, valve replacement,~~
 17 ~~heart transplant, or chronic and disabling angina provided such~~
 18 ~~charges are incurred services are provided within six months of~~
 19 ~~the qualifying event and in a medically supervised facility fully~~
 20 ~~certified by the North Carolina Department of Health and~~
 21 ~~Human Services."~~

22 **SECTION 32.20.(k)** G.S. 135-40.6(9)f. reads as rewritten:

23 "(9) Limitations and Exclusions to Other Covered Charges. – No benefits
 24 are available under this section of the Plan until full utilization is made
 25 of similar benefits available under other sections of this Plan.

26 No benefits will be payable for:

27 ...
 28 f. Eyeglasses or other corrective lenses (except for cataract lenses
 29 certified as medically necessary for aphakia persons), hearing
 30 aids, braces for teeth, dental plates or bridges or other dental
 31 prostheses, air-conditioners, vaporizers, humidifiers, mattresses
 32 (other than as supplied with a hospital bed) and specially built
 33 shoes (other than attached to artificial limbs or orthopedic
 34 ~~braces~~); braces, and other than therapeutic shoes for diabetes or
 35 ~~other high risk conditions);"~~

36 **SECTION 32.20.(l)** G.S. 135-40.6A(b) reads as rewritten:

37 "(b) The Executive Administrator and Board of Trustees may establish procedures
 38 to require prior medical approvals for the following services:

- 39 (1) Skilled Nursing Facility Care (after the initial 30 days); Care.
 40 (2) Private Duty Nursing; Nursing.
 41 (3) Speech Therapy (unless rendered in an inpatient hospital); hospital).
 42 (4) Physical Therapy (in the home); home).
 43 (7) Surgical Procedures:
 44 a. Blepharoplasties
 45 b. Surgery for Hermaphroditism
 46 c. Excision of Keloids
 47 d. Reduction Mammoplasty
 48 e. Morbid Obesity Surgery
 49 f. Penile Prosthesis
 50 g. Excision of Gynecomastia
 51 h. Cochlear Implants
 52 i. Revision of the Nasal Structure
 53 j. Abdominoplasty

- 1 k. Fimbrioplasty
 2 l. ~~Tubotubal Anastomosis.~~ Anastomosis
 3 m. Varicose vein surgery.
 4 (8) Subcutaneous injection of "filling" material (Example: zyderm,
 5 silicone); and silicone).
 6 (8a) Botulinium toxin.
 7 (9) Suction Lipectomy.
 8 (10) Outpatient prescription drugs requiring prospective review under the
 9 Plan's pharmacy benefit management program.
 10 (11) Outpatient prescription drugs for growth hormone, weight loss, and
 11 antifungal drugs for the treatment of nail fungus."

12 **SECTION 32.20.(m)** G.S. 135-40.8 reads as rewritten:

13 **"§ 135-40.8. Out-of-pocket expenditures.**

14 (a) For the balance of any fiscal year after each eligible employee, retired
 15 employee, or dependent satisfies the cash deductible, the Plan pays eighty percent
 16 (80%) of the eligible expenses outlined in G.S. 135-40.6. The covered individual is then
 17 responsible for the remaining twenty percent (20%) until one thousand dollars
 18 ~~(\$1,000), five hundred dollars (\$1,500),~~ in excess of the deductible, has been paid
 19 out-of-pocket. The Plan then pays one hundred percent (100%) of the remaining
 20 covered expenses.

21 ~~(b) Where a covered individual fails to obtain a second surgical opinion as~~
 22 ~~required under the Plan, or where a covered individual elects to have a surgery~~
 23 ~~performed that conflicts with a majority opinion of the rendered consultations that the~~
 24 ~~surgery requiring a second or third surgical opinion is not necessary, the covered~~
 25 ~~individual shall be responsible for fifty percent (50%) of the eligible expenses,~~
 26 ~~provided, however, that no covered individual shall be required to pay, in addition to the~~
 27 ~~expenses in subsection (a) above out of pocket in excess of five hundred dollars~~
 28 ~~(\$500.00) per fiscal year.~~

29 (c) Notwithstanding any other provision of this Article, on the first day of each
 30 confinement the Plan does not pay the first seventy-five dollars (\$75.00) of the room
 31 accommodation charge allowable under G.S. 135-40.6(1). Any readmission within 60
 32 days after discharge for the same reason shall be considered the same confinement for
 33 the purpose of this subsection. The exclusion made under this subsection shall not count
 34 toward the deductible nor toward the maximum amount of out-of-pocket costs.

35 (d) Where a network of qualified preferred providers of inpatient and outpatient
 36 hospital care is reasonably available for use by those individuals covered by the Plan,
 37 use of providers outside of the preferred network shall be subject to a twenty percent
 38 (20%) coinsurance rate up to five thousand dollars (\$5,000) per fiscal year per covered
 39 individual in addition to the general coinsurance percentage and maximum fiscal year
 40 amount specified by G.S. 135-40.4 and G.S. 135-40.6."

41 **SECTION 32.20.(n)** G.S. 135-40.9 reads as rewritten:

42 **"§ 135-40.9. Maximum benefits.**

43 The maximum lifetime benefit for each covered individual will be ~~two~~ five million
 44 dollars ~~(\$2,000,000).~~ (\$5,000,000)."

45 **SECTION 32.20.(o)** G.S. 97-26(b) reads as rewritten:

46 "(b) Hospital Fees. – Each hospital subject to the provisions of this subsection
 47 shall be reimbursed the amount provided for in this subsection unless it has agreed
 48 under contract with the insurer, managed care organization, employer (or other payor
 49 obligated to reimburse for inpatient hospital services rendered under this Chapter) to
 50 accept a different amount or reimbursement methodology.

51 Except as otherwise provided herein, payment for medical treatment and services
 52 rendered to workers' compensation patients by a hospital shall be ~~equal to the payment~~

1 ~~the hospital is authorized to receive for the same treatment or service under the State~~
2 ~~Plan, as determined by the Commission, provided that: that payment~~

3 (1) ~~Payment for inpatient hospital inpatient services provided on or after~~
4 ~~July 1, 1997, and on or before December 31, 1997, shall not be less~~
5 ~~than a minimum of ninety percent (90%) nor more than a maximum of~~
6 ~~one hundred percent (100%) of the hospital's itemized charges as~~
7 ~~shown on the UB-92 claim form.~~

8 (2) ~~Payment for inpatient hospital services provided on or after January 1,~~
9 ~~1998, through and including December 31, 1998, shall be not more~~
10 ~~than a maximum of one hundred percent (100%) of the hospital's~~
11 ~~itemized charges as shown on the UB-92 claim form nor less than a~~
12 ~~minimum percentage of such charges that the Commission determines~~
13 ~~would have been required to have produced an average payment rate~~
14 ~~equal to ninety three and one tenth percent (93.1%) of aggregate~~
15 ~~charges for all inpatient claims processed by the Commission during~~
16 ~~the fiscal year ending June 30, 1997.~~

17 (3) ~~Payment~~

18 ~~for inpatient hospital services provided on or after January 1, 1999, shall be not more~~
19 ~~than a maximum of one hundred percent (100%) of the hospital's itemized charges as~~
20 ~~shown on the UB-92 claim form nor less than the minimum percentage established~~
21 ~~annually by the Commission as follows: Commission.~~

22 a. ~~Beginning in the third quarter (July, August, and September) of~~
23 ~~1998, and annually thereafter, the Commission shall review~~
24 ~~data from the State Plan to ascertain the aggregate hospital~~
25 ~~itemized charges and aggregate amounts authorized for~~
26 ~~payment by the State Plan (including payments actually made~~
27 ~~by the State Plan and deductible, coinsurance, or other amounts~~
28 ~~for which the patient/insured may have been liable) for inpatient~~
29 ~~hospital claims paid to participating hospitals by the State Plan~~
30 ~~during the immediately preceding fiscal year ending June 30.~~
31 ~~The Commission shall then utilize the data described in the~~
32 ~~preceding sentence to calculate the extent, if any, to which~~
33 ~~aggregate State Plan authorized payments were less than~~
34 ~~aggregate charges on inpatient hospital claims paid by the State~~
35 ~~Plan during the preceding fiscal year.~~

36 b. ~~Beginning in the third quarter (July, August, and September) of~~
37 ~~1998, and annually thereafter, the Commission shall calculate~~
38 ~~aggregate hospital itemized charges and aggregate payments~~
39 ~~authorized by the Commission on all inpatient hospital workers'~~
40 ~~compensation claims approved for payment by the Commission~~
41 ~~during the preceding fiscal year ending June 30.~~

42 c. ~~Based on the data described in sub-subdivisions a. and b. of this~~
43 ~~subdivision, the Commission shall on or before December 1,~~
44 ~~1998, and December 1 of each subsequent year establish a~~
45 ~~minimum percentage that will result in a payment rate for~~
46 ~~inpatient workers' compensation cases that in the aggregate~~
47 ~~bears a percentage relationship to hospital itemized charges that~~
48 ~~is equal to the State Plan relationship between aggregate~~
49 ~~payments authorized and aggregate itemized charges for claims~~
50 ~~paid by the State Plan during the preceding fiscal year ending~~
51 ~~June 30. The percentage rate established shall be effective for~~
52 ~~the next succeeding calendar year beginning January 1 of that~~
53 ~~year.~~

1 Notwithstanding any other provisions of law, the Commission's determination of
2 payment rates under this subsection shall:

- 3 (1) Comply with the procedures for adoption of a fee schedule established
4 in G.S. 97-26(a);
- 5 (2) Include publication on or before October 1 of each year of the
6 proposed payment rate, and a summary of the data and calculations on
7 which the rate is based;
- 8 (3) Be subject to the declaratory ruling provisions of G.S. 150B-4; and
- 9 (4) Be deemed to constitute a final permanent rule under Article 2A of
10 Chapter 150B for purposes of judicial review under Article 4 of that
11 Chapter.

12 ~~Payment for a particular type of medical compensation that is not covered under the~~
13 ~~State Plan shall be based on the allowable charge under the State Plan for comparable~~
14 ~~services or treatment, as determined by the Commission.~~

15 A hospital's itemized charges on the UB-92 claim form for workers' compensation
16 services shall be the same as itemized charges for like services for all other payers."

17 **SECTION 32.20.(p)** Subsection (a) of this section becomes effective July 1,
18 2002. The remainder of this section becomes effective July 1, 2001.

19
20
21 Requested by: Senators Plyler, Odom, Lee

22 **SALARY-RELATED CONTRIBUTIONS/EMPLOYERS**

23 **SECTION 32.21.(a)** Required employer salary-related contributions for
24 employees whose salaries are paid from department, office, institution, or agency
25 receipts shall be paid from the same source as the source of the employees' salaries. If
26 an employee's salary is paid in part from the General Fund or Highway Fund and in part
27 from department, office, institution, or agency receipts, required employer salary-related
28 contributions may be paid from the General Fund or Highway Fund only to the extent of
29 the proportionate part paid from the General Fund or Highway Fund in support of the
30 salary of the employee, and the remainder of the employer's requirements shall be paid
31 from the source that supplies the remainder of the employee's salary. The requirements
32 of this section as to source of payment are also applicable to payments on behalf of the
33 employee for hospital-medical benefits, longevity pay, unemployment compensation,
34 accumulated leave, workers' compensation, severance pay, separation allowances, and
35 applicable disability income benefits.

36 **SECTION 32.21.(b)** The State's employer contribution rates budgeted for
37 retirement and related benefits as percentage of covered salaries for the 2001-2002
38 fiscal year and the 2002-2003 fiscal year are (i) four and eighty-five hundredths percent
39 (4.85%) - Teachers and State Employees; (ii) nine and eighty-five hundredths percent
40 (9.85%) - State Law Enforcement Officers; (iii) nine and seventy-one hundredths
41 percent (9.71%) - University Employees' Optional Retirement System; (iv) sixteen and
42 twenty-four hundredths percent (16.24%) - Consolidated Judicial Retirement System;
43 and (v) twenty-five and fifty-five hundredths percent (25.55%) - Legislative Retirement
44 System. Each of the foregoing contribution rates includes two and thirty-five
45 hundredths percent (2.35%) for hospital and medical benefits. The rate for Teachers
46 and State Employees, State Law Enforcement Officers, and for the University
47 Employees' Optional Retirement Program includes fifty-two hundredths percent
48 (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees
49 and State Law Enforcement Officers include sixteen-hundredths percent (0.16%) for the
50 Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent
51 (5%) for Supplemental Retirement Income.

52 **SECTION 32.21.(c)** Notwithstanding any other provision of law, the Board
53 of Trustees of the Teachers' and State Employees' Retirement System shall adopt such

1 assumptions as necessary to remove the asset cap of seventy-seven percent (77%) of
2 market value and to allow for a five-year smooth market method of asset value.

3 **SECTION 32.21.(d)** The General Assembly directs the State Treasurer to
4 adopt a fixed amortization period of nine years for the purposes of the unfunded accrued
5 liability for the North Carolina National Guard Pension Fund.

6 **SECTION 32.21.(e)** The maximum annual employer contributions, payable
7 monthly, by the State for each covered employee or retiree for the 2001-2002 fiscal year
8 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i)
9 Medicare-eligible employees and retirees - two thousand one hundred four dollars
10 (\$2,104), and (ii) non-Medicare-eligible employees and retirees - two thousand seven
11 hundred sixty-four dollars (\$2,764).

12 **SECTION 32.21.(f)** The maximum annual employer contributions, payable
13 monthly, by the State for each covered employee or retiree for the 2002-2003 fiscal year
14 to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i)
15 Medicare-eligible employees and retirees - two thousand two hundred thirty-three
16 dollars (\$2,233); and (ii) non-Medicare-eligible employees and retirees - two thousand
17 nine hundred thirty-three dollars (\$2,933).

18
19 Requested by: Senators Plyler, Odom, Lee

20 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
21 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
22 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**
23 **RETIREMENT SYSTEM**

24 **SECTION 32.22.(a)** G.S. 135-5 is amended by adding a new subsection to
25 read:

26 "(iii) From and after July 1, 2001, the retirement allowance to or on account of
27 beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased
28 by one and six-tenths percent (1.6%) of the allowance payable on June 1, 2001, in
29 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2001, the retirement
30 allowance to or on account of beneficiaries whose retirement commenced after July 1,
31 2000, but before June 30, 2001, shall be increased by a prorated amount of one and six-
32 tenths percent (1.6%) of the allowance payable as determined by the Board of Trustees
33 based upon the number of months that a retirement allowance was paid between July 1,
34 2000, and June 30, 2001."

35 **SECTION 32.22.(b)** G.S. 135-65 is amended by adding a new subsection to
36 read:

37 "(v) From and after July 1, 2001, the retirement allowance to or on account of
38 beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased
39 by one and six-tenths percent (1.6%) of the allowance payable on June 1, 2001.
40 Furthermore, from and after July 1, 2001, the retirement allowance to or on account of
41 beneficiaries whose retirement commenced after July 1, 2000, but before June 30, 2001,
42 shall be increased by a prorated amount of one and six-tenths percent (1.6%) of the
43 allowance payable as determined by the Board of Trustees based upon the number of
44 months that a retirement allowance was paid between July 1, 2000, and June 30, 2001."

45 **SECTION 32.22.(c)** G.S. 120-4.22A is amended by adding a new subsection
46 to read:

47 "(p) In accordance with subsection (a) of this section, from and after July 1, 2001,
48 the retirement allowance to or on account of beneficiaries whose retirement commenced
49 on or before January 1, 2001, shall be increased by one and six-tenths percent (1.6%) of
50 the allowance payable on June 1, 2001. Furthermore, from and after July 1, 2001, the
51 retirement allowance to or on account of beneficiaries whose retirement commenced
52 after January 1, 2001, but before June 30, 2001, shall be increased by a prorated amount
53 of one and six-tenths percent (1.6%) of the allowance payable as determined by the

1 Board of Trustees based upon the number of months that a retirement allowance was
2 paid between January 1, 2001, and June 30, 2001."

3 **SECTION 32.22.(d)** G.S. 128-27 is amended by adding a new subsection to
4 read:

5 "(zz) From and after July 1, 2001, the retirement allowance to or on account of
6 beneficiaries whose retirement commenced on or before July 1, 2000, shall be increased
7 by one and six-tenths percent (1.6%) of the allowance payable on June 1, 2001, in
8 accordance with subsection (k) of this section. Furthermore, from and after July 1, 2001,
9 the retirement allowance to or on account of beneficiaries whose retirement commenced
10 after July 1, 2000, but before June 30, 2001, shall be increased by a prorated amount of
11 one and six-tenths percent (1.6%) of the allowance payable as determined by the Board
12 of Trustees based upon the number of months that a retirement allowance was paid
13 between July 1, 2000, and June 30, 2001."

14 **SECTION 32.22.(e)** This section becomes effective July 1, 2001.

15
16 Requested by: Senators Plyler, Odom, Lee

17 **INCREASE LOCAL RETIREMENT BENEFITS**

18 **SECTION 32.23.(a)** G.S. 128-27(b18) reads as rewritten:

19 "(b18) Service Retirement Allowance of Member Retiring on or After July 1, 2000,
20 2000, but Before July 1, 2001. – Upon retirement from service in accordance with
21 subsection (a) or (a1) above, on or after July 1, 2000, but before July 1, 2001, a member
22 shall receive the following service retirement allowance:

23 (1) A member who is a law enforcement officer or an eligible former law
24 enforcement officer shall receive a service retirement allowance
25 computed as follows:

26 a. If the member's service retirement date occurs on or after his
27 55th birthday and completion of five years of creditable service
28 as a law enforcement officer, or after the completion of 30 years
29 of creditable service, the allowance shall be equal to one and
30 seventy-eight hundredths percent (1.78%) of his average final
31 compensation, multiplied by the number of years of his
32 creditable service.

33 b. If the member's service retirement date occurs on or after his
34 50th birthday and before his 55th birthday with 15 or more
35 years of creditable service as a law enforcement officer and
36 prior to the completion of 30 years of creditable service, his
37 retirement allowance shall be equal to the greater of:

38 1. The service retirement allowance payable under G.S.
39 128-27(b18)(1)a. reduced by one-third of one percent
40 (1/3 of 1%) thereof for each month by which his
41 retirement date precedes the first day of the month
42 coincident with or next following the month the member
43 would have attained his 55th birthday;

44 2. The service retirement allowance as computed under
45 G.S. 128-27(b18)(1)a. reduced by five percent (5%)
46 times the difference between 30 years and his creditable
47 service at retirement.

48 (2) A member who is not a law enforcement officer or an eligible former
49 law enforcement officer shall receive a service retirement allowance
50 computed as follows:

51 a. If the member's service retirement date occurs on or after his
52 65th birthday upon the completion of five years of creditable
53 service or after the completion of 30 years of creditable service

1 or on or after his 60th birthday upon the completion of 25 years
 2 of creditable service, the allowance shall be equal to one and
 3 seventy-eight hundredths percent (1.78%) of average final
 4 compensation, multiplied by the number of years of creditable
 5 service.

6 b. If the member's service retirement date occurs after his 60th
 7 birthday and before his 65th birthday and prior to his
 8 completion of 25 years or more of creditable service, his
 9 retirement allowance shall be computed as in G.S.
 10 128-27(b18)(2)a. but shall be reduced by one-quarter of one
 11 percent (1/4 of 1%) thereof for each month by which his
 12 retirement date precedes the first day of the month coincident
 13 with or next following his 65th birthday.

14 c. If the member's early service retirement date occurs on or after
 15 his 50th birthday and before his 60th birthday and after
 16 completion of 20 years of creditable service but prior to the
 17 completion of 30 years of creditable service, his early service
 18 retirement allowance shall be equal to the greater of:

19 1. The service retirement allowance as computed under
 20 G.S. 128-27(b18)(2)a. but reduced by the sum of
 21 five-twelfths of one percent (5/12 of 1%) thereof for
 22 each month by which his retirement date precedes the
 23 first day of the month coincident with or next following
 24 the month the member would have attained his 60th
 25 birthday, plus one-quarter of one percent (1/4 of 1%)
 26 thereof for each month by which his 60th birthday
 27 precedes the first day of the month coincident with or
 28 next following his 65th birthday; or

29 2. The service retirement allowance as computed under
 30 G.S. 128-27(b18)(2)a. reduced by five percent (5%)
 31 times the difference between 30 years and his creditable
 32 service at retirement; or

33 3. If the member's creditable service commenced prior to
 34 July 1, 1995, the service retirement allowance equal to
 35 the actuarial equivalent of the allowance payable at the
 36 age of 60 years as computed in G.S. 128-27(b18)(2)b.

37 d. Notwithstanding the foregoing provisions, any member whose
 38 creditable service commenced prior to July 1, 1965, shall not
 39 receive less than the benefit provided by G.S. 128-27(b)."

40 **SECTION 32.23.(b)** G.S. 128-27 is amended by adding a new subsection to

41 read:

42 "(b19) Service Retirement Allowance of Member Retiring on or After July 1, 2001.
 43 – Upon retirement from service in accordance with subsection (a) or (a1) above, on or
 44 after July 1, 2001, a member shall receive the following service retirement allowance:

45 (1) A member who is a law enforcement officer or an eligible former law
 46 enforcement officer shall receive a service retirement allowance
 47 computed as follows:

48 a. If the member's service retirement date occurs on or after his
 49 55th birthday and completion of five years of creditable service
 50 as a law enforcement officer, or after the completion of 30 years
 51 of creditable service, the allowance shall be equal to one and
 52 eighty-one hundredths percent (1.81%) of his average final

- 1 compensation, multiplied by the number of years of his
2 creditable service.
- 3 b. If the member's service retirement date occurs on or after his
4 50th birthday and before his 55th birthday with 15 or more
5 years of creditable service as a law enforcement officer and
6 prior to the completion of 30 years of creditable service, his
7 retirement allowance shall be equal to the greater of:
- 8 1. The service retirement allowance payable under G.S.
9 128-27(b19)(1)a. reduced by one-third of one percent
10 (1/3 of 1%) thereof for each month by which his
11 retirement date precedes the first day of the month
12 coincident with or next following the month the member
13 would have attained his 55th birthday;
- 14 2. The service retirement allowance as computed under
15 G.S. 128-27(b19)(1)a. reduced by five percent (5%)
16 times the difference between 30 years and his creditable
17 service at retirement.
- 18 (2) A member who is not a law enforcement officer or an eligible former
19 law enforcement officer shall receive a service retirement allowance
20 computed as follows:
- 21 a. If the member's service retirement date occurs on or after his
22 65th birthday upon the completion of five years of creditable
23 service or after the completion of 30 years of creditable service
24 or on or after his 60th birthday upon the completion of 25 years
25 of creditable service, the allowance shall be equal to one and
26 eighty-one hundredths percent (1.81%) of average final
27 compensation, multiplied by the number of years of creditable
28 service.
- 29 b. If the member's service retirement date occurs after his 60th
30 birthday and before his 65th birthday and prior to his
31 completion of 25 years or more of creditable service, his
32 retirement allowance shall be computed as in G.S. 128-
33 27(b19)(2)a. but shall be reduced by one-quarter of one percent
34 (1/4 of 1%) thereof for each month by which his retirement date
35 precedes the first day of the month coincident with or next
36 following his 65th birthday.
- 37 c. If the member's early service retirement date occurs on or after
38 his 50th birthday and before his 60th birthday and after
39 completion of 20 years of creditable service but prior to the
40 completion of 30 years of creditable service, his early service
41 retirement allowance shall be equal to the greater of:
- 42 1. The service retirement allowance as computed under
43 G.S. 128-27(b19)(2)a. but reduced by the sum of five-
44 twelfths of one percent (5/12 of 1%) thereof for each
45 month by which his retirement date precedes the first day
46 of the month coincident with or next following the
47 month the member would have attained his 60th
48 birthday, plus one-quarter of one percent (1/4 of 1%)
49 thereof for each month by which his 60th birthday
50 precedes the first day of the month coincident with or
51 next following his 65th birthday; or
- 52 2. The service retirement allowance as computed under
53 G.S. 128-27(b19)(2)a. reduced by five percent (5%)

times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b19)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 32.23.(c) G.S. 128-27(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that all three of the following conditions apply:

- (1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or
- b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b18)(1)b. or G.S. 128-27(b18)(2)c.~~, G.S. 128-27(b19)(1)b. or G.S. 128-27(b19)(2)c., notwithstanding the requirement of obtaining age 50.
- (2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.
- (3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase."

SECTION 32.23.(d) G.S. 128-27 is amended by adding a new subsection to read:

"(zz) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2001. – From and after July 1, 2001, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2001, shall be increased by one and seven-tenths percent (1.7%) of the allowance payable on June 1, 2001. This allowance shall be calculated on the allowance payable and in effect on June 30, 2001, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2001 General Assembly."

Requested by: Senators Plyler, Odom, Lee

**OPTIONAL RETIREMENT PROGRAM FOR THE NORTH CAROLINA
COMMUNITY COLLEGES SYSTEM**

SECTION 32.24.(a) Article 1 of Chapter 135 of the General Statutes is amended by adding a new section to read:

"§ 135-5.4. Optional retirement program for State-funded community colleges.

1 (a) An Optional Retirement Program provided for in this section is authorized
2 and established and shall be implemented by the North Carolina Community Colleges
3 System, ("System"). The Optional Retirement Program shall be underwritten by the
4 purchase of annuity contracts, which may be both fixed and variable contracts or a
5 combination thereof, or financed through the establishment of a trust, for the benefit of
6 the presidents of the community colleges all of whom are appointed after the
7 implementation of the Program and who elect membership as required by subsection (b)
8 of this section. Under the Optional Retirement Program, the State and the participant
9 shall contribute, to the extent authorized or required, toward the purchase of such
10 contracts or deposited in such trust on the participant's behalf.

11 (b) Participation in the Optional Retirement Program shall be governed as
12 follows:

- 13 (1) Employees initially appointed on or after the implementation of the
14 Optional Retirement Program shall at the same time of entering upon
15 eligible employment elect (i) to join the Retirement System in
16 accordance with the provisions of law applicable thereto or (ii) to
17 participate in the Optional Retirement Program. This election shall be
18 in writing and filed with the Retirement System and with the
19 employing institution and shall be effective as of the date of entry into
20 eligible service.
- 21 (2) An election to participate in the Optional Retirement Program shall be
22 irrevocable. An eligible employee failing to elect to participate in the
23 Optional Retirement Program at the time of entry into eligible service
24 shall automatically be enrolled as a member of the Retirement System.
- 25 (3) No election by an eligible employee of the Optional Retirement
26 Program shall be effective unless it is accompanied by an appropriate
27 application for the issuance of a contract or contracts or trust
28 participation under the Program.
- 29 (4) If any participant having less than five years coverage under the
30 Optional Retirement Program leaves the employ of the System and
31 either retires or commences employment with an employer not having
32 a retirement program with the same company underwriting the
33 participant's annuity contract, regardless of whether the annuity
34 contract is held by the participant, a trust, or the Retirement System,
35 the participant's interest in the Optional Retirement Program
36 attributable to contributions of the employing institution shall be
37 forfeited and shall either (i) be refunded to the employing institution
38 and forthwith paid by it to the Retirement System and credited to the
39 pension accumulation fund or (ii) be paid directly to the Retirement
40 System and credited to the pension accumulation fund.

41 (c) Each employing institution shall contribute on behalf of each participant in
42 the Optional Retirement Program an amount equal to a percentage of the participant's
43 compensation as established from time to time by the General Assembly. Each
44 participant shall contribute the amount that he or she would be required to contribute if
45 a member of the Retirement System. Contributions authorized or required by the
46 provisions of this subsection on behalf of each participant shall be made, consistent with
47 section 414(h) of the Internal Revenue Code, by salary reduction according to rules and
48 regulations established by the employing institution. Additional personal contributions
49 may also be made by a participant by payroll deduction or salary reduction to an annuity
50 or retirement income plan established pursuant to G.S. 115D-25. Payment of
51 contributions shall be made by the employing institution to the designated company or
52 companies underwriting the annuities or the trustees for the benefit of each participant,

1 and this employer contribution shall not be subject to any State tax if made under the
2 Optional Retirement Program or, otherwise, by salary reduction.

3 (d) The System shall designate the company or companies from which contracts
4 are to be purchased or the trustee responsible for the investment of contributions under
5 the Optional Retirement Program and shall approve the form and contents of such
6 contracts or trust agreement. In making this designation and giving such approval, the
7 Board shall give due consideration to the following:

- 8 (1) The nature and extent of the rights and benefits to be provided by these
9 contracts or trust agreement for participants and their beneficiaries;
- 10 (2) The relation of these rights and benefits to the amount of contributions
11 to be made;
- 12 (3) The suitability of these rights and benefits to the needs of the
13 participants and the interest of the institutions of the System in
14 recruiting and retaining faculty in a national market; and
- 15 (4) The ability of the designated company or companies underwriting the
16 annuity contracts or trust agreement to provide these suitable rights
17 and benefits under such contracts or trust agreement for these
18 purposes.

19 In lieu of such designation and in order to provide a more efficient, cost-effective,
20 and flexible Program, the System may designate the company or companies designated
21 for the Optional Retirement Program for State institutions of higher education as
22 prescribed in G.S. 135-5.1(d).

23 Notwithstanding the provisions of this subsection, no contractual relationship
24 established under the Optional Retirement Program pursuant to the authority granted by
25 Chapter 338, Session Laws of 1971, is deemed terminated by the provisions of this
26 section.

27 (e) The System or employing institution may provide for the administration of
28 the Optional Retirement Program and may perform or authorize the performance of all
29 functions necessary for its administration.

30 (f) Any eligible employee electing to participate in the Optional Retirement
31 Program is ineligible for membership in the Retirement System so long as he or she
32 remains employed in any eligible position within the System, and, in this event, he or
33 she shall continue to participate in the Optional Retirement Program.

34 (g) No retirement benefit, death benefit, or other benefit under the Optional
35 Retirement Program shall be paid by the State of North Carolina, or the System, or the
36 Board of Trustees of the Teachers' and State Employees' Retirement System with
37 respect to any employee selecting and participating in the Optional Retirement Program
38 or with respect to any beneficiary of that employee. Benefits shall be payable to
39 participants or their beneficiaries only by the designated company in accordance with
40 the terms of the contracts or trust agreement."

41 **SECTION 32.24.(b)** G.S. 135-1(25) reads as rewritten:

42 "(25) "Teacher" shall mean any teacher, helping teacher, librarian, principal,
43 supervisor, superintendent of public schools or any full-time
44 employee, city or county, superintendent of public instruction, or any
45 full-time employee of Department of Public Instruction, president,
46 dean or teacher, or any full-time employee in any educational
47 institution supported by and under the control of the State: Provided,
48 that the term "teacher" shall not include any part-time, temporary, or
49 substitute teacher or employee, and shall not include those
50 participating in an optional retirement program provided for in ~~G.S.~~
51 ~~135-5.1.~~ G.S. 135-5.1 or G.S. 135-5.4. In all cases of doubt, the Board
52 of Trustees, ~~hereinafter~~ ~~hereinbefore~~ defined, shall determine whether
53 any person is a teacher as defined in this Chapter."

1 **SECTION 32.24.(c)** This section becomes effective January 1, 2002.
2

3 Requested by: Senators Plyler, Odom, Lee

4 **TO SHORTEN THE AMOUNT OF TIME RETIRED TEACHERS MUST BE**
5 **RETIRED BEFORE THEY RETURN TO WORK**

6 **SECTION 32.25.(a)** G.S. 135-3(8)c., as enacted by Section 28.24(a) of S.L.
7 1998-212, and rewritten by Section 67 of S.L. 1998-217 and by Section 8.24(a) of S.L.
8 2000-67, reads as rewritten:

9 " c. **(Effective until June 30, 2003)** Should a beneficiary who
10 retired on an early or service retirement allowance under this
11 Chapter be reemployed, or otherwise engaged to perform
12 services, by an employer participating in the Retirement System
13 on a part-time, temporary, interim, or on a fee-for-service basis,
14 whether contractual or otherwise, and if such beneficiary earns
15 an amount in any calendar year which exceeds fifty percent
16 (50%) of the reported compensation, excluding terminal
17 payments, during the 12 months of service preceding the
18 effective date of retirement, or twenty thousand dollars
19 (\$20,000), whichever is greater, as hereinafter indexed, then the
20 retirement allowance shall be suspended as of the first day of
21 the month following the month in which the reemployment
22 earnings exceed the amount above, for the balance of the
23 calendar year. The retirement allowance of the beneficiary shall
24 be reinstated as of January 1 of each year following suspension.
25 The amount that may be earned before suspension shall be
26 increased on January 1 of each year by the ratio of the
27 Consumer Price Index to the Index one year earlier, calculated
28 to the nearest tenth of a percent (1/10 of 1%).

29 The computation of postretirement earnings of a beneficiary
30 under this sub-subdivision, G.S. 135-3(8)c., who has been
31 retired at least ~~12~~ six months and has not been employed in any
32 capacity, except as a substitute teacher, with a public school for
33 at least ~~12~~ six months immediately preceding the effective date
34 of reemployment, shall not include earnings while the
35 beneficiary is employed to teach on a substitute, interim, or
36 permanent basis in a public school. The Department of Public
37 Instruction shall certify to the Retirement System that a
38 beneficiary is employed to teach by a local school
39 administrative unit under the provisions of this sub-subdivision
40 and as a retired teacher as the term is defined under the
41 provisions of G.S. 115C-325(a)(5a). Beneficiaries employed
42 under this sub-subdivision are not entitled to any benefits
43 otherwise provided under this Chapter as a result of this period
44 of employment."

45 **SECTION 32.25.(b)** G.S. 115C-325(a)(5a), as enacted by Section 28.24(b)
46 of S.L. 1998-212 and rewritten by Section 67.1(a) of S.L. 1998-217, reads as rewritten:

47 "(a) Definition of Terms. – As used in this section unless the context requires
48 otherwise:

49 ...
50 (5a) **(Effective until June 30, 2003)** "Retired teacher" means a beneficiary
51 of the Teachers' and State Employees' Retirement System of North
52 Carolina who has been retired at least ~~12~~ six months, has not been
53 employed in any capacity, other than as a substitute teacher, with a

1 local board of education for at least ~~12~~six months, immediately
 2 preceding the effective date of reemployment, is determined by a local
 3 board of education to have had satisfactory performance during the last
 4 year of employment by a local board of education, and who is
 5 employed to teach as provided in G.S. 135-3(8)c. A retired teacher
 6 shall be treated the same as a probationary teacher except that a retired
 7 teacher is not eligible for career status."

8 **SECTION 32.25.(c)** This section becomes effective July 1, 2001, and
 9 expires June 30, 2003.

10
 11 Requested by: Senators Plyler, Odom, Lee

12 **RETIREMENT SYSTEM ACTUARY**

13 **SECTION 32.26.** The State Treasurer shall report to the General Assembly
 14 no later than December 31, 2001, as to the effectiveness and efficiency of actuarial
 15 services for the Teachers' and State Employees' Retirement System, the Local
 16 Governmental Employees' Retirement System, the Consolidated Judicial Retirement
 17 System, the Death Benefit Plans, the Disability Income Plan, the Firemen's and Rescue
 18 Squad Workers' Pension Fund, and the National Guard Pension Fund, and whether
 19 future selection should be made after a competitive bid process.

20
 21 Requested by: Senators Plyler, Odom, Lee

22 **UNIVERSITY SYSTEM OPTIONAL RETIREMENT PLAN FOR SENIOR**
 23 **ADMINISTRATORS/AG EXTENSION**

24 **SECTION 32.27.** G.S. 135-5.1(a) reads as rewritten:

25 "(a) An Optional Retirement Program provided for in this section is authorized
 26 and established and shall be implemented by the Board of Governors of The University
 27 of North Carolina. The Optional Retirement Program shall be underwritten by the
 28 purchase of annuity contracts, which may be both fixed and variable contracts or a
 29 combination thereof, or financed through the establishment of a trust, for the benefit of
 30 ~~administrators and faculty of:~~

- 31 (1) Employees of The University of North Carolina who are appointed by
 32 the Board of Governors on recommendation of the President pursuant
 33 to G.S. 116-14 or who are appointed by the Board of Trustees of a
 34 constituent institution of The University of North Carolina upon the
 35 recommendation of the Chancellor pursuant to G.S. 116-40.22(b);
 36 (2) Administrators and faculty of The University of North Carolina with
 37 the rank of instructor or ~~above~~ above;
 38 (3) Field faculty of the Cooperative Agriculture Extension Service, and
 39 tenure track faculty in North Carolina State University agriculture
 40 research programs who are exempt from the State Personnel Act and
 41 who are eligible for membership in the Teachers' and State Employees'
 42 Retirement System pursuant to GS 135-3(1),

43 who (i) had been members of the Optional Retirement Program under the provisions of
 44 Chapter 338, Session Laws of 1971, immediately prior to July 1, 1985, or (ii) have
 45 sought membership as required in subsection (b), below. Under the Optional Retirement
 46 Program, the State and the participant shall contribute, to the extent authorized or
 47 required, toward the purchase of such contracts or deposited in such trust on the
 48 participant's behalf."

49
 50 **PART XXXIII. CAPITAL APPROPRIATIONS**

51
 52 Requested by: Senators Plyler, Odom, Lee

53 **GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION**

SECTION 33.1. The appropriations made by the 2001 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

Requested by: Senators Plyler, Odom, Lee

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 33.2.(a) Appropriations are made from the General Fund of the State for the 2001-2002 fiscal year for use by the State departments, institutions, and agencies to provide for capital improvement projects according to the following schedule:

Capital Improvements - General Fund	2001-2002
Department of Environment and Natural Resources	\$32,936,000
Repairs and Renovations Reserve Account	100,000,000
TOTAL	\$132,936,000.

SECTION 33.2.(b) Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, for the 2000-2001 fiscal year only, funds shall not be reserved to the Repairs and Renovations Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2001.

This subsection becomes effective June 30, 2001.

TOTAL CAPITAL APPROPRIATION – GENERAL FUND

Requested by: Senators Plyler, Odom, Lee

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 33.3.(a) The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

Name of Project	2001-2002
(1) Wilmington Harbor Deepening	\$22,000,000
(2) Morehead City Harbor Maintenance	500,000
(3) Wilmington Harbor Maintenance	200,000
(4) Manteo (Shallowbag) Bay Channel Maintenance	2,500,000
(5) B. Everett Jordan Lake Water Supply	100,000
(6) John H. Kerr Reservoir Operations Evaluation	400,000
(7) Brunswick County Beaches Nourishment Supplement	927,000
(8) Wrightsville Beach Nourishment	518,000
(9) Dare County Beaches design	338,000
(10) Indian Beach – Salter Path Nourishment	900,000
(11) Bogue Banks Beach Protection Study	350,000
(12) Surf City/North Topsail Beach Protection Study	150,000
(13) West Onslow Beach Protection Re-analysis (Topsail Beach)	116,000
(14) Currituck Sound Water Management Study	200,000

1	(15)	Deep Creek Yadkin County	500,000
2	(16)	State Local Projects	2,000,000
3	a.	Town of Washington Park Maple Branch Water	
4		Management, Beaufort County	3,000
5	b.	Pungo River Snagging, Hyde County	22,000
6	c.	Muddy Creek Stream Restoration, McDowell	
7		County	50,000
8	d.	Town of Chadbourn Water Management,	
9		Columbus County	38,000
10	e.	Perquimans River and Mill Creek Drainage,	
11		Perquimans County	38,000
12	f.	Mitchell River Restoration, Surry County	111,875
13	g.	Town of Candor Park Drainage, Montgomery	
14		County	18,000
15	h.	Chowan River Restoration and Pembroke and	
16		Rocky Hock Creeks Drainage, Chowan County	67,000
17	i.	Town of Pine Knoll Shores Westport Marina	
18		Maintenance Dredging, Carteret County	25,000
19	j.	Town of Kenly Flood Control, Wilson and	
20		Johnston Counties	268,100
21	k.	Southern Pines Drainage Improvements,	
22		Moore County	118,575
23	l.	Other Projects	1,240,450
24	(17)	Aquatic Weed Control Lake Gaston and Statewide	200,000
25	(18)	Adkin Branch Flood Control	120,000
26	(19)	Neuse River Basin Flood Control Feasibility Study	100,000
27	(20)	Little Sugar Creek Restoration Projects	360,000
28	(21)	Emergency Flood Control Projects	187,000
29	(22)	Projected Feasibility Studies	120,000
30	(23)	Planning Assistance to Communities	150,000
31			
32	Total		\$32,936,000

SECTION 33.3.(b) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects listed in subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2001-2002 fiscal year, or if the projects listed in subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) Corps of Engineers project feasibility studies.
- (2) Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2001-2002.
- (3) State-local water resources development projects. Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2002-2003 fiscal year.

SECTION 33.3.(c) The Department shall make quarterly reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Each report shall include all of the following:

- (1) All projects listed in this section.
- (2) The estimated cost of each project.
- (3) The date that work on each project began or is expected to begin.

1 (4) The date that work on each project was completed or is expected to be
2 completed.

3 (5) The actual cost of each project.

4 The quarterly reports shall also show those projects advanced in schedule,
5 those projects delayed in schedule, and an estimate of the amount of funds expected to
6 revert to the General Fund.

7 **SECTION 33.3.(d)** Notwithstanding G.S. 143-23, if additional federal funds
8 that require a State match are received for water resources projects or for beach
9 renourishment projects for the 2001-2002 fiscal year, the Director of the Budget may,
10 after consultation with the Joint Legislative Commission on Governmental Operations,
11 transfer funds from General Fund appropriations to match the federal funds.
12

13 Requested by: Senators Plyler, Odom, Lee

14 **PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS**

15 **SECTION 33.4.** The appropriations made by the 2001 General Assembly
16 for capital improvements shall be disbursed for the purposes provided by this act.
17 Expenditure of funds shall not be made by any State department, institution, or agency
18 until an allotment has been approved by the Governor as Director of the Budget. The
19 allotment shall be approved only after full compliance with the Executive Budget Act,
20 Article 1 of Chapter 143 of the General Statutes. Prior to the award of construction
21 contracts for projects to be financed in whole or in part with self-liquidating
22 appropriations, the Director of the Budget shall approve the elements of the method of
23 financing of those projects including the source of funds, interest rate, and liquidation
24 period. Provided, however, that if the Director of the Budget approves the method of
25 financing a project, the Director shall report that action to the Joint Legislative
26 Commission on Governmental Operations at its next meeting.

27 Where direct capital improvement appropriations include the purpose of
28 furnishing fixed and movable equipment for any project, those funds for equipment
29 shall not be subject to transfer into construction accounts except as authorized by the
30 Director of the Budget. The expenditure of funds for fixed and movable equipment and
31 furnishings shall be reviewed and approved by the Director of the Budget prior to
32 commitment of funds.

33 Capital improvement projects authorized by the 2001 General Assembly shall
34 be completed, including fixed and movable equipment and furnishings, within the limits
35 of the amounts of the direct or self-liquidating appropriations provided, except as
36 otherwise provided in this act. Capital improvement projects authorized by the 2001
37 General Assembly for the design phase only shall be designed within the scope of the
38 project as defined by the approved cost estimate filed with the Director of the Budget,
39 including costs associated with site preparation, demolition, and movable and fixed
40 equipment.

41 Requested by: Senators Plyler, Odom, Lee

42 **ENCUMBERED APPROPRIATIONS AND PROJECT RESERVE FUNDS**

43 **SECTION 33.5.** When each capital improvement project appropriated by the
44 2001 General Assembly, other than those projects under the Board of Governors of The
45 University of North Carolina, is placed under a construction contract, direct
46 appropriations shall be encumbered to include all costs for construction, design,
47 investigation, administration, movable equipment, and a reasonable contingency.
48 Unencumbered direct appropriations remaining in the project budget shall be placed in a
49 project reserve fund credited to the Office of State Budget and Management. Funds in
50 the project reserve may be used for emergency repair and renovation projects at State
51 facilities with the approval of the Director of the Budget. The project reserve fund may
52 be used, at the discretion of the Director of the Budget, to allow for award of contracts
53

1 where bids exceed appropriated funds, if those projects supplemented were designed
2 within the scope intended by the applicable appropriation or any authorized change in it,
3 and if, in the opinion of the Director of the Budget, all means to award contracts within
4 the appropriation were reasonably attempted. At the discretion of the Director of the
5 Budget, any balances in the project reserve fund shall revert to the original source.
6

7 Requested by: Senators Plyler, Odom, Lee

8 **EXPENDITURES OF FUNDS FROM THE RESERVE FOR REPAIRS AND**
9 **RENOVATIONS**

10 **SECTION 33.6.** Of the funds in the Reserve for Repairs and Renovations
11 for the 2001-2002 fiscal year, forty-six percent (46%) shall be allocated to the Board of
12 Governors of The University of North Carolina for repairs and renovations pursuant to
13 G.S. 143-15.3A, in accordance with guidelines developed in The University of North
14 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
15 approved by the Board of Governors of The University of North Carolina, and fifty-four
16 percent (54%) shall be allocated to the Office of State Budget and Management for
17 repairs and renovations pursuant to G.S. 143-15.3A.

18 Notwithstanding G.S. 143-15.3A, the Board of Governors may allocate funds
19 for the repair and renovation of facilities not supported from the General Fund if the
20 Board determines that sufficient funds are not available from other sources and that
21 conditions warrant General Fund assistance. Any such finding shall be included in the
22 Board's submission to the Joint Legislative Commission on Governmental Operations
23 on the proposed allocation of funds.

24 The Board of Governors and the Office of State Budget and Management
25 shall submit to the Joint Legislative Commission on Governmental Operations and to
26 the Fiscal Research Division of the Legislative Services Office, for their review, the
27 proposed allocations of these funds. Subsequent changes in the proposed allocations
28 shall be reported prior to expenditure to the Joint Legislative Commission on
29 Governmental Operations and to the Fiscal Research Division of the Legislative
30 Services Office.
31

32 Requested by: Senators Plyler, Odom, Lee

33 **CAPITAL IMPROVEMENT PROJECTS/SUPPLEMENTAL FUNDING**
34 **APPROVAL/REPORTING REQUIREMENT**

35 **SECTION 33.7.** Each department receiving capital improvement
36 appropriations from the Highway Fund under this act shall report quarterly to the
37 Director of the Budget on the status of those capital projects. The reporting procedure
38 to be followed shall be developed by the Director of the Budget.

39 Highway Fund capital improvement projects authorized in this act that have
40 not been placed under contract for construction due to insufficient funds may be
41 supplemented with funds identified by the Director of the Budget, provided:

- 42 (1) That the project was designed and bid within the scope as authorized
43 by the General Assembly;
- 44 (2) That the funds to supplement the project are from the same source as
45 authorized for the original project;
- 46 (3) That the department to which the project was authorized has
47 unsuccessfully pursued all statutory authorizations to award the
48 contract; and
- 49 (4) That the action be reported to the Fiscal Research Division of the
50 Legislative Services Office.
51

52 Requested by: Senators Plyler, Odom, Lee

53 **PROJECT COST INCREASE**

1 **SECTION 33.8.** Upon the request of the administration of a State agency,
2 department, or institution, the Director of the Budget may, when in the Director's
3 opinion it is in the best interest of the State to do so, increase the cost of a capital
4 improvement project. Provided, however, that if the Director of the Budget increases
5 the cost of a project, the Director shall report that action to the Joint Legislative
6 Commission on Governmental Operations at its next meeting. The increase may be
7 funded from gifts, federal or private grants, special fund receipts, excess patient receipts
8 above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or
9 direct capital improvement appropriations to that department or institution.

10
11 Requested by: Senators Plyler, Odom, Lee

12 **NEW PROJECT AUTHORIZATION**

13 **SECTION 33.9.** Upon the request of the administration of any State agency,
14 department, or institution, the Director of the Budget may authorize the construction of
15 a capital improvement project not specifically authorized by the General Assembly if
16 such project is to be funded by gifts, federal or private grants, special fund receipts,
17 excess patient receipts above those budgeted at the University of North Carolina
18 Hospitals at Chapel Hill, or self-liquidating indebtedness. Prior to authorizing the
19 construction of a capital improvement project pursuant to this section, the Director shall
20 consult with the Joint Legislative Commission on Governmental Operations.

21
22 Requested by: Senators Plyler, Odom, Lee

23 **ADVANCE PLANNING OF CAPITAL IMPROVEMENT PROJECTS**

24 **SECTION 33.10.** Funds that become available by gifts, excess patient
25 receipts above those budgeted at the University of North Carolina Hospitals at Chapel
26 Hill, federal or private grants, receipts becoming a part of special funds by act of the
27 General Assembly, or any other funds available to a State department or institution may
28 be utilized for advance planning through the working drawing phase of capital
29 improvement projects, upon approval of the Director of the Budget. The Director of the
30 Budget may make allocations from the Advance Planning Fund for advance planning
31 through the working drawing phase of capital improvement projects, except that this
32 revolving fund shall not be utilized by the Board of Governors of The University of
33 North Carolina or the State Board of Community Colleges.

34
35 Requested by: Senators Plyler, Odom, Lee

36 **APPROPRIATIONS LIMITS/REVERSION OR LAPSE**

37 **SECTION 33.11.** Except as permitted in previous sections of this act, the
38 appropriations for capital improvements made by the 2001 General Assembly may be
39 expended only for specific projects set out by the 2001 General Assembly and for no
40 other purpose. Construction of all capital improvement projects enumerated by the
41 2001 General Assembly shall be commenced, or self-liquidating indebtedness with
42 respect to them shall be incurred, within 12 months following the first day of the fiscal
43 year in which the funds are available. If construction contracts on those projects have
44 not been awarded or self-liquidating indebtedness has not been incurred within that
45 period, the direct appropriation for those projects shall revert to the original source, and
46 the self-liquidating appropriation shall lapse; except that direct appropriations may be
47 placed in a reserve fund as authorized in this act. This deadline with respect to both
48 direct and self-liquidating appropriations may be extended with the approval of the
49 Director of the Budget up to an additional 12 months if circumstances and conditions
50 warrant such extension.

51
52 **PART XXXIV. MAKE TAXES EQUITABLE BY REMOVING UNFAIR**
53 **LOOPHOLES**

1
2 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

3 **PURPOSE OF REVENUES GENERATED IN THIS PART**

4 **SECTION 34.** The revenues generated pursuant to this Part are appropriated
5 in Section 2.1 of this act for education and health and human services and are
6 transferred in Section 2.2 of this act to the Savings Reserve Account.

7
8 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

9 **EQUALIZE TAXATION OF HMOs AND MEDICAL SERVICE COMPANIES**

10 **SECTION 34.1.(a)** G.S. 105-228.5 reads as rewritten:

11 **"§ 105-228.5. Taxes measured by gross premiums.**

12 (a) Tax Levied. – A tax is levied in this section on insurers, Article 65
13 corporations, health maintenance organizations, and self-insurers. An ~~insurer~~-insurer,
14 health maintenance organization, or Article 65 corporation that is subject to the tax
15 levied by this section is not subject to franchise or income taxes imposed by Articles 3
16 and 4, respectively, of this Chapter.

17 (b) Tax Base. –

18 (1) Insurers. – The tax imposed by this section on an insurer or a health
19 maintenance organization shall be measured by gross premiums from
20 business done in this State during the preceding calendar year.

21 (2) Additional Local Fire and Lightning Rate. – The additional tax
22 imposed by subdivision (d)(4) of this section shall be measured by
23 gross premiums from business done in fire districts in this State during
24 the preceding calendar year. For the purpose of this section, the term
25 "fire district" has the meaning provided in G.S. 58-84-5.

26 (3) Article 65 Corporations. – The tax imposed by this section on an
27 Article 65 corporation shall be measured by gross collections from
28 membership dues, exclusive of receipts from cost plus plans, received
29 by the corporation during the preceding calendar year.

30 (4) Self-insurers. – The tax imposed by this section on a self-insurer shall
31 be measured by the gross premiums that would be charged against the
32 same or most similar industry or business, taken from the manual
33 insurance rate then in force in this State, applied to the self-insurer's
34 payroll for the previous calendar year as determined under Article 2 of
35 Chapter 97 of the General Statutes modified by the self-insurer's
36 approved experience modifier.

37 (b1) Calculation of Tax Base. – In determining the amount of gross premiums
38 from business in this State, all gross premiums received in this State, credited to policies
39 written or procured in this State, or derived from business written in this State shall be
40 deemed to be for contracts covering persons, property, or risks resident or located in this
41 State unless one of the following applies:

42 (1) The premiums are properly reported and properly allocated as being
43 received from business done in some other nation, territory, state, or
44 states.

45 (2) The premiums are from policies written in federal areas for persons in
46 military service who pay premiums by assignment of service pay.

47 Gross premiums from business done in this State in the case of life insurance
48 contracts, including supplemental contracts providing for disability benefits, accidental
49 death benefits, or other special benefits that are not annuities, means all premiums
50 collected in the calendar year, other than for contracts of reinsurance, for policies the
51 premiums on which are paid by or credited to persons, firms, or corporations resident in
52 this State, or in the case of group policies, for contracts of insurance covering persons
53 resident within this State. The only deductions allowed shall be for premiums refunded

1 on policies rescinded for fraud or other breach of contract and premiums that were paid
2 in advance on life insurance contracts and subsequently refunded to the insured,
3 premium payer, beneficiary or estate. Gross premiums shall be deemed to have been
4 collected for the amounts as provided in the policy contracts for the time in force during
5 the year, whether satisfied by cash payment, notes, loans, automatic premium loans,
6 applied dividend, or by any other means except waiver of premiums by companies
7 under a contract for waiver of premium in case of disability.

8 Gross premiums from business done in this State for all other health care plans and
9 contracts of insurance, including contracts of insurance required to be carried by the
10 Workers' Compensation Act, means all premiums written during the calendar year, or
11 the equivalent thereof in the case of self-insurers under the Workers' Compensation Act,
12 for contracts covering property or risks in this State, other than for contracts of
13 reinsurance, whether the premiums are designated as premiums, deposits, premium
14 deposits, policy fees, membership fees, or assessments. Gross premiums shall be
15 deemed to have been written for the amounts as provided in the policy contracts, new
16 and renewal, becoming effective during the year irrespective of the time or method of
17 making payment or settlement for the premiums, and with no deduction for dividends
18 whether returned in cash or allowed in payment or reduction of premiums or for
19 additional insurance, and without any other deduction except for return of premiums,
20 deposits, fees, or assessments for adjustment of policy rates or for cancellation or
21 surrender of policies.

22 (c) Exclusions. – Every insurer, in computing the premium tax, shall exclude all
23 of the following from the gross amount of ~~premiums: premiums, and the gross amount~~
24 of excluded premiums is exempt from the tax imposed by this section:

- 25 (1) All premiums received on or after July 1, 1973, from policies or
26 contracts issued in connection with the funding of a pension, annuity,
27 or profit-sharing plan qualified or exempt under section 401, 403, 404,
28 408, 457 or 501 of the Code as defined in G.S. 105-228.90.
- 29 (2) Premiums or considerations received from annuities, as defined in G.S.
30 58-7-15.
- 31 (3) Funds or considerations received in connection with funding
32 agreements, as defined in G.S. 58-7-16.
- 33 (4) The following premiums, to the extent federal law prohibits their
34 taxation under this Article:
 - 35 a. Federal Employees Health Benefits Plan premiums.
 - 36 b. Medicaid or Medicare premiums.

37 ~~The gross amount of the excluded premiums, funds, and considerations shall be~~
38 ~~exempt from the tax imposed by this section.~~

39 (d) Tax Rates; Disposition. –

- 40 (1) ~~Workers' Workers'~~ Compensation. – The tax rate to be applied to gross
41 premiums, or the equivalent thereof in the case of self-insurers, on
42 contracts applicable to liabilities under the Workers' Compensation
43 Act ~~shall be is~~ two and five-tenths percent (2.5%). The net proceeds
44 shall be credited to the General Fund.
- 45 (2) Other Insurance Contracts. – The tax rate to be applied to gross
46 premiums on all other ~~insurance-taxable~~ contracts issued by insurers
47 ~~shall be is~~ one and nine-tenths percent (1.9%). The net proceeds shall
48 be credited to the General Fund.
- 49 (3) Additional Statewide Fire and Lightning Rate. – An additional tax
50 shall be applied to gross premiums on contracts of insurance
51 applicable to fire and lightning coverage, except in the case of marine
52 and automobile policies, at the rate of one and thirty-three hundredths
53 percent (1.33%). Twenty-five percent (25%) of the net proceeds of this

1 additional tax shall be deposited in the Volunteer Fire Department
2 Fund established in Article 87 of Chapter 58 of the General Statutes.
3 The remaining net proceeds shall be credited to the General Fund.

4 (4) Additional Local Fire and Lightning Rate. – An additional tax shall be
5 applied to gross premiums on contracts of insurance applicable to fire
6 and lightning coverage within fire districts at the rate of one-half of
7 one percent (1/2 of 1%). The net proceeds shall be credited to the
8 Department of Insurance for disbursement pursuant to G.S. 58-84-25.

9 (5) Article 65 Corporations. – The tax rate to be applied to gross
10 premiums and/or gross collections from membership dues, exclusive
11 of receipts from cost plus plans, received by Article 65 corporations
12 ~~shall be one half of one percent (1/2 of 1%)~~ is one percent (1%). The
13 net proceeds shall be credited to the General Fund.

14 (6) Health Maintenance Organizations. – The tax rate to be applied to
15 gross premiums on insurance contracts issued by health maintenance
16 organizations is one percent (1%). The net proceeds shall be credited
17 to the General Fund.

18 (e) Report and Payment. – ~~Each insurer, Article 65 corporation, and self insurer~~
19 ~~taxpayer~~ doing business in this State shall, within the first 15 days of March, file with
20 the Secretary of Revenue a full and accurate report of the total gross premiums as
21 defined in this section, the payroll and other information required by the Secretary in the
22 case of a self-insurer, or the total gross collections from membership dues exclusive of
23 receipts from cost plus plans collected in this State during the preceding calendar year.
24 The report shall be verified by the oath of the official or other representative responsible
25 for transmitting it; the taxes imposed by this section shall be remitted to the Secretary
26 with the report.

27 In the case of an insurer liable for the additional local fire and lightning tax, the
28 report shall include the information required under G.S. 58-84-1.

29 (f) ~~Installment Payments Required. – Insurers, Article 65 corporations, and self-~~
30 ~~insurers~~ Taxpayers that are subject to the tax imposed by this section and have a
31 premium tax liability, not including the additional local fire and lightning tax, of ten
32 thousand dollars (\$10,000) or more for business done in North Carolina during the
33 immediately preceding year shall remit three equal quarterly installments with each
34 installment equal to at least thirty-three and one-third percent (33 1/3%) of the premium
35 tax liability incurred in the immediately preceding taxable year. The quarterly
36 installment payments shall be made on or before April 15, June 15, and October 15 of
37 each taxable year. The company shall remit the balance by the following March 15 in
38 the same manner provided in this section for annual returns.

39 The Secretary of Revenue may permit an insurance company to pay less than the
40 required estimated payment when the insurer reasonably believes that the total
41 estimated payments made for the current year will exceed the total anticipated tax
42 liability for the year.

43 An underpayment of an installment payment required by this subsection shall bear
44 interest at the rate established under G.S. 105-241.1(i). Any overpayment shall bear
45 interest as provided in G.S. 105-266(b) and, together with the interest, shall be credited
46 to the company and applied against the taxes imposed upon the company under this
47 Article.

48 (g) Exemptions. – This section does not apply to farmers' mutual assessment fire
49 insurance companies or to fraternal orders or societies that do not operate for a profit
50 and do not issue policies on any person except members."

51 **SECTION 34.1.(b)** G.S. 58-6-25(a) reads as rewritten:

52 "(a) Charge Levied. – There is levied on each insurance company an annual
53 charge for the purposes stated in subsection (d) of this section. The charge levied in this

1 section is in addition to all other fees and taxes. The percentage rate of the charge is
 2 established pursuant to subsection (b) of this section. For each insurance company that
 3 is not an Article 65 corporation nor a health maintenance organization, the rate is
 4 applied to the company's premium tax liability for the taxable year. For Article 65
 5 corporations and health maintenance organizations, the rate is applied to a presumed
 6 premium tax liability for the taxable year calculated as if the corporation or organization
 7 were an insurer providing health insurance, paying tax at the rate in G.S. 105-
 8 228.5(d)(2). In determining an insurance company's premium tax liability for a taxable
 9 year, the following shall be disregarded:

10 (1) Additional taxes imposed by G.S. 105-228.8.

11 (2) The additional local fire and lightning tax imposed by G.S.
 12 105-228.5(d)(4).

13 (3) Any tax credits for guaranty or solvency fund assessments under G.S.
 14 105-228.5A or G.S. 97-133(a).

15 (4) Any tax credits allowed under Chapter 105 of the General Statutes
 16 other than tax payments made by or on behalf of the taxpayer."

17 **SECTION 34.1.(c)** G.S. 58-6-25(e) reads as rewritten:

18 "(e) Definitions. – The following definitions apply in this section:

19 (1) Article 65 corporation. – Defined in G.S. 105-228.3.

20 (2) Insurance company. – A company that pays the gross premiums tax
 21 levied in G.S. 105-228.5 and G.S. ~~105-228.8~~ or a health maintenance
 22 organization. 105-228.8.

23 (3) Insurer. – Defined in G.S. 105-228.3."

24 **SECTION 34.1.(d)** This section is effective for taxable years beginning on
 25 or after January 1, 2001. Notwithstanding the provisions of Article 4B of Chapter 105
 26 of the General Statutes, payments of estimated tax by a health maintenance organization
 27 under that Article for the 2001 taxable year are credited against the health maintenance
 28 organization's liability under G.S. 105-228.5 for the 2001 taxable year.
 29

30 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

31 **EQUALIZE TAXATION OF SATELLITE TV AND CABLE TV**

32 **SECTION 34.2.(a)** G.S. 105-164.4(a) is amended by adding a new
 33 subdivision to read:

34 "(a) A privilege tax is imposed on a retailer at the following percentage rates of
 35 the retailer's net taxable sales or gross receipts, as appropriate. The general rate of tax is
 36 four percent (4%).
 37

38 (6) The rate of six percent (6%) applies to the gross receipts derived from
 39 providing cable television service to subscribers in this State and to the
 40 gross receipts derived from providing direct-to-home satellite service
 41 to subscribers in this State. A person engaged in the business of
 42 providing cable television service or direct-to-home satellite service is
 43 considered a retailer under this Article. If any gross receipts derived
 44 from providing cable television service are subject to a franchise tax
 45 under G.S. 153A-154 or G.S. 160A-214 during a reporting period, the
 46 rate of tax levied in this Article on those gross receipts for that
 47 reporting period is reduced by the rate of franchise tax levied on the
 48 gross receipts under G.S. 153A-154 or G.S. 160A-214, as applicable,
 49 for the reporting period."

50 **SECTION 34.2.(b)** G.S. 105-164.3 is amended by adding the following new
 51 subdivisions to read:

52 "**§ 105-164.3. Definitions.**

The following definitions apply in this Article, except when the context clearly indicates a different meaning:

...
 (2) Cable television service. – Programming distributed by a cable television system as defined in G.S. 153A-137.

...
 (4a) Direct-to-home satellite service. – Programming transmitted or broadcast by satellite directly to the subscribers' premises without the use of ground equipment or distribution equipment, except equipment at the subscribers' premises or the uplink process to the satellite."

SECTION 34.2.(c) This section becomes effective October 1, 2001, and applies to sales made on or after that date.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

ELIMINATE THE EXEMPTION ON SALES OF FERTILIZERS AND SEED TO NON-FARMERS

SECTION 34.3.(a) G.S. 105-164.13(1) and (2) read as rewritten:

"§ 105-164.13. Retail sales and use tax.

The sale at retail, the use, storage or consumption in this State of the following tangible personal property is specifically exempted from the tax imposed by this Article:

- Agricultural Group.
- (1) ~~Commercial fertilizer on which the inspection tax is paid and lime and land plaster used fertilizer, lime, land plaster, and seeds sold to a farmer for agricultural purposes whether the inspection tax is paid or not, purposes.~~
- (2) ~~Seeds.~~

...
SECTION 34.3.(b) This section becomes effective August 1, 2001, and applies to sales made on or after that date.

Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

TAX ALL TELECOMMUNICATIONS SERVICES EQUALLY

SECTION 34.4.(a) G.S. 105-164.3 is amended by adding the following new subdivisions in the correct alphabetical order to read:

"§ 105-164.3. Definitions.

The following definitions apply in this Article, except when the context clearly indicates a different meaning:

...
 (8b) Mobile telecommunications service. – A radio communication service carried on between mobile stations or receivers and land stations and by mobile stations communicating among themselves and includes all of the following:

- a. Both one-way and two-way radio communication services.
 b. A mobile service that provides a regularly interacting group of base, mobile, portable, and associated control and relay stations for private one-way or two-way land mobile radio communications by eligible users over designated areas of operation.
 c. Any service for which a federal license is required in a personal communications service.

...
 (11a) Prepaid telephone calling arrangement. – A right that meets all of the following requirements:

- 1 a. Authorizes the exclusive purchase of telecommunications
 2 service.
 3 b. Must be paid for in advance.
 4 c. Enables the origination of calls by means of an access number,
 5 authorization code, or another similar means, regardless of
 6 whether the access number or authorization code is manually or
 7 electronically dialed.
 8 d. Is sold in units or dollars whose number or dollar value declines
 9 with use and is known on a continuous basis.

10 ...
 11 (16b) Service address. – The location of the telecommunications equipment
 12 from which a customer originates or receives telecommunications
 13 service. In the case of mobile telecommunications service, maritime
 14 systems, third-number calls, calling card calls, and other similar
 15 services for which the location of the equipment cannot be determined
 16 as part of the billing process, the telecommunications service provider
 17 may determine the location of the equipment based upon the
 18 customer's telephone number, the mailing address to which the bills
 19 are sent, or a street address provided by the customer if the street
 20 address is within the licensed service area of the service provider. In
 21 the case of telecommunications service paid through a payment
 22 mechanism that does not relate to the location of the equipment, such
 23 as a bank, travel, debit, or credit card, the service address is the address
 24 of the central office as determined by the area code and the first three
 25 digits of the seven-digit originating telephone number.

26 ...
 27 (21a) Telecommunications service. – The transmission, conveyance, or
 28 routing of voice, data, audio, video, or any other information or signals
 29 to a point, or between or among points, by or through any electronic,
 30 radio, satellite, optical, microwave, or other medium, regardless of the
 31 protocol used for the transmission, conveyance, or routing. The term
 32 includes mobile telecommunications service and vertical services.
 33 Vertical services are switch-based services offered in connection with
 34 a telecommunications service, such as call forwarding services, caller
 35 ID services, and three-way calling services."

36 **SECTION 34.4.(b)** G.S. 105-164.3(25) is repealed.

37 **SECTION 34.4.(c)** G.S. 105-164.4(a)(4a) reads as rewritten:

38 "(4a) The rate of three percent (3%) applies to the gross receipts derived by
 39 a utility from sales of electricity or local telecommunications service
 40 as defined by G.S. 105-120(e), electricity, other than sales of
 41 electricity subject to tax under another subdivision in this section.
 42 Gross receipts from sales of local telecommunications service do not
 43 include receipts from service provided by means of public coin-
 44 operated pay telephone instruments and paid for by coin. A person
 45 who operates a utility sells electricity is considered a retailer under this
 46 Article."

47 **SECTION 34.4.(d)** G.S. 105-164.4(a)(4c) reads as rewritten:

48 "(4c) The rate of ~~six and one half percent (6 1/2%)~~ six percent (6%) applies
 49 to the gross receipts derived from providing ~~toll~~ telecommunications
 50 services or private telecommunications services as defined by G.S.
 51 105-120(e) that both originate from and terminate in the State and are
 52 not subject to the privilege tax under G.S. 105-120.service. A person
 53 who provides telecommunications service is considered a retailer

1 under this Article. Telecommunications service is taxed in accordance
2 with G.S. 105-164.4B. Any business entity that provides these
3 services is considered a retailer under this Article. This subdivision
4 does not apply to telephone membership corporations as described in
5 Chapter 117 of the General Statutes."

6 **SECTION 34.4.(e)** G.S. 105-164.4(a) is amended by adding a new
7 subdivision to read:

8 "(4d) The sale or recharge of prepaid telephone calling arrangements is
9 taxable at the general rate of tax. The tax applies regardless of whether
10 tangible personal property, such as a card or a telephone, is transferred.
11 Prepaid telephone calling arrangements taxed under this subdivision
12 are not subject to tax as a telecommunications service.

13 Prepaid telephone calling arrangements are taxable at the point of
14 sale instead of at the point of use. If the sale or recharge of a prepaid
15 telephone calling arrangement does not take place at a retailer's place
16 of business, the sale or recharge is considered to have taken place at
17 one of the following:

- 18 a. The customer's shipping address, if an item of tangible personal
19 property is shipped to the customer as part of the transaction.
20 b. The customer's billing address or, for mobile
21 telecommunications service, the customer's service address, if
22 no tangible personal property is shipped to the customer as part
23 of the transaction."

24 **SECTION 34.4.(f)** Part 2 of Article 5 of Chapter 105 of the General Statutes
25 is amended by adding a new section to read:

26 **"§ 105-164.4B. Tax on telecommunications service.**

27 (a) General. – The gross receipts derived from providing telecommunications
28 service in this State are taxed at the rate set in G.S. 105-164.4(a)(4c). Mobile
29 telecommunications service is provided in this State if the customer's service address is
30 in this State and the call originates or terminates in this State.

31 (b) Included in Gross Receipts. – Gross receipts derived from
32 telecommunications service include the following:

- 33 (1) Receipts from local, intrastate, interstate, toll, private, and mobile
34 telecommunications service.
35 (2) Charges for directory assistance, directory listing that is not
36 yellow-page classified listing, call forwarding, call waiting, three-way
37 calling, caller ID, and other similar services.
38 (3) Customer access line charges billed to subscribers for access to the
39 intrastate or interstate interexchange network.
40 (4) Charges billed to a pay telephone provider who uses the
41 telecommunications service to provide pay telephone service.

42 (c) Excluded From Gross Receipts. – Gross receipts derived from
43 telecommunications service do not include any of the following:

- 44 (1) Charges for telecommunications services that are a component part of
45 or are integrated into a telecommunications service that is resold.
46 Examples of services that are resold include carrier charges for access
47 to an intrastate or interstate interexchange network, interconnection
48 charges paid by a provider of mobile telecommunications service, and
49 charges for the sale of unbundled network elements. An unbundled
50 network element is a network element, as defined in 47 U.S.C. §
51 153(29), to which access is provided on an unbundled basis pursuant
52 to 47 U.S.C. § 251(c)(3).

- 1 (2) Telecommunications services that are resold as part of a prepaid
2 telephone calling arrangement.
3 (3) 911 charges imposed under G.S. 62A-4 or G.S. 62A-23 and remitted to
4 the Emergency Telephone System Fund under G.S. 62A-7 or the
5 Wireless Fund under G.S. 62A-24.
6 (4) Allowable surcharges imposed to recoup assessments for the Universal
7 Service Fund.
8 (5) Receipts of a pay telephone provider from the sale of pay telephone
9 service.
10 (6) Charges for commercial, cable, mobile, broadcast, or satellite video or
11 audio service unless the service provides two-way communication,
12 other than the customer's interactive communication in connection
13 with the customer's selection or use of the video or audio service.
14 (7) Paging service, unless the service provides two-way communication.
15 (8) Charges for telephone service made by a hotel, motel, or another entity
16 whose gross receipts are taxable under G.S. 105-164.4(a)(3) when the
17 charges are incidental to the occupancy of the entity's
18 accommodations.
19 (9) Receipts from the sale, installation, maintenance, or repair of tangible
20 personal property.
21 (10) Directory advertising and yellow-page classified listings.
22 (11) Voicemail services.
23 (12) Information services. – An information service is a service that can
24 generate, acquire, store, transform, process, retrieve, use, or make
25 available information through a communications service. Examples of
26 an information service include an electronic publishing service and a
27 web hosting service.
28 (13) Internet access service, electronic mail service, electronic bulletin
29 board service, or similar on-line services.
30 (14) Billing and collection services.
31 (15) Charges for bad checks or late payments.
32 (d) Bundled Services. – When a taxable telecommunications service is bundled
33 with a service that is not taxable, the tax applies to the gross receipts from the taxable
34 service in the bundle as follows:
35 (1) If the service provider offers all the services in the bundle on an
36 unbundled basis, tax is due on the unbundled price of the taxable
37 service, less the discount resulting from the bundling. The discount for
38 a service as the result of bundling is the proportionate price decrease of
39 the service, determined on the basis of the total unbundled price of all
40 the services in the bundle compared to the bundled price of the
41 services.
42 (2) If the service provider does not offer one or more of the services in the
43 bundle on an unbundled basis, tax is due on the taxable service based
44 on a reasonable allocation of revenue to that service. If the service
45 provider maintains an account for revenue from a taxable service, the
46 service provider's allocation of revenue to that service for the purpose
47 of determining the tax due on the service must reflect its accounting
48 allocation of revenue to that service.
49 (e) Interstate Private Line. – The gross receipts derived from interstate private
50 telecommunications service are taxable as follows:
51 (1) One hundred percent (100%) of the charge imposed at each channel
52 termination point in this State.

1 (2) One hundred percent (100%) of the charge imposed for the total
2 channel mileage between each channel termination point in this State.

3 (3) Fifty percent (50%) of the charge imposed for the total channel
4 mileage between the first channel termination point in this State and
5 the nearest channel termination point outside this State.

6 (f) Call Center Cap. – The gross receipts tax on interstate telecommunications
7 service that originates outside this State, terminates in this State, and is provided to a
8 call center that has a direct pay certificate issued by the Department under G.S.
9 105-164.27A may not exceed fifty thousand dollars (\$50,000) a calendar year. This cap
10 applies separately to each legal entity.

11 (g) Credit. – A taxpayer who pays a tax legally imposed by another state on a
12 telecommunications service taxable under this section is allowed a credit against the tax
13 imposed in this section.

14 (h) Definitions. – The following definitions apply in this section:

15 (1) Call center. – Defined in G.S. 105-164.27A.

16 (2) Interstate telecommunications service. – Telecommunications service
17 that originates or terminates in this State, but does not both originate
18 and terminate in this State, and is charged to a service address in this
19 State.

20 (3) Intrastate telecommunications service. – Telecommunications service
21 that both originates and terminates in this State.

22 (4) Local telecommunications service. – Telecommunications service that
23 provides access to a local telephone network and enables a user to
24 communicate with substantially everyone who has a telephone or
25 radiotelephone station that is part of the local telephone network.

26 (5) Mobile telecommunications service. – Defined in G.S. 105-164.3.

27 (6) Private telecommunications service. – Telecommunications service
28 that entitles a subscriber of the service to exclusive or priority use of a
29 communications channel or group of channels.

30 (7) Service address. – Defined in G.S. 105-164.3.

31 (8) Telecommunications service. – Defined in G.S. 105-164.3.

32 (9) Toll telecommunications service. – Any of the following:

33 a. A service for which there is a toll charge that varies in amount
34 with the distance or elapsed transmission time of each
35 individual communication.

36 b. A service that entitles the subscriber, upon payment of a
37 periodic charge, determined as a flat amount or on the basis of
38 total elapsed transmission time, to an unlimited number of
39 communications to or from all or a substantial portion of those
40 who have a telephone or radiotelephone station in an area
41 outside the local telephone network."

42 **SECTION 34.4.(g)** G.S. 105-164.16(c) reads as rewritten:

43 "(c) Sales Tax on Utility Services. Electricity and Telecommunications. – A return
44 for taxes levied under G.S. 105-164.4(a)(4a) and G.S. 105-164.4(a)(4c) is due quarterly
45 or monthly as specified in this subsection. A utility that is allowed to pay tax under G.S.
46 105-120 on a quarterly basis shall file a quarterly return. All other utilities shall file a
47 monthly return. A quarterly return is due by the last day of the month following the
48 quarter covered by the return. A monthly. The monthly return is due by the last day of
49 the month following the month in which the taxes accrue, except the return for taxes
50 that accrue in May. A return for taxes that accrue in May is due by June 25.

51 A utility-retailer that is required to file a monthly return may file an estimated return
52 for the first month, the second month, or both the first and second months in a quarter.
53 A utility-retailer is not subject to interest on or penalties for an underpayment submitted

1 with an estimated monthly return if the ~~utility-retailer~~ timely pays at least ninety-five
2 percent (95%) of the amount due with a monthly return and includes the underpayment
3 with the ~~company's~~ retailer's return for the third month in the same quarter."

4 **SECTION 34.4.(h)** G.S. 105-164.20 reads as rewritten:

5 "**§ 105-164.20. Cash or accrual basis of reporting.**

6 Any retailer, except a ~~utility-retailer~~ who sells electricity or telecommunications
7 service, may report sales on either the cash or accrual basis of accounting upon making
8 application to the Secretary for permission to use the basis selected. Permission granted
9 by the Secretary to report on a selected basis continues in effect until revoked by the
10 Secretary or the taxpayer receives permission from the Secretary to change the basis
11 selected. A ~~utility-retailer~~ who sells electricity or telecommunications service must
12 report its sales on an accrual basis. A sale by a ~~utility~~ of electricity or ~~intrastate~~
13 ~~telephone-telecommunications~~ service is considered to accrue when the ~~utility-retailer~~
14 bills its customer for the sale."

15 **SECTION 34.4.(i)** G.S. 105-164.27A reads as rewritten:

16 "**§ 105-164.27A. Direct pay ~~certificate~~. permit.**

17 (a) ~~Requirements. Tangible Personal Property.~~ – A direct pay permit for tangible
18 personal property authorizes its holder to purchase any tangible personal property
19 without paying tax to the seller and authorizes the seller to not collect any tax on a sale
20 to the permit holder. A person who purchases tangible personal property under a direct
21 pay permit issued under this subsection is liable for use tax due on the purchase. The tax
22 is payable when the property is placed in use. A direct pay permit issued under this
23 subsection does not apply to taxes imposed under G.S. 105-164.4(a)(1f) or G.S.
24 105-164.4(a)(4a).

25 A person who purchases tangible personal property whose tax status cannot be
26 determined at the time of the purchase because of one of the reasons listed below may
27 apply to the Secretary for a direct pay ~~certificate~~; permit for tangible personal property:

- 28 (1) The place of business where the property will be used is not known at
29 the time of the purchase and a different tax consequence applies
30 depending on where the property is used.
- 31 (2) The manner in which the property will be used is not known at the
32 time of the purchase and one or more of the potential uses is taxable
33 but others are not taxable.

34 (b) ~~Procedure.~~ – An application for a direct pay ~~certificate~~ Secretary and contain
35 the information required by the Secretary. The Secretary may grant the application if the
36 Secretary finds that the applicant complies with the sales and use tax laws and that the
37 applicant's compliance burden will be greatly reduced by use of the certificate.

38 (c) ~~Effect.~~ – A direct pay ~~certificate~~ authorizes its holder to purchase any tangible
39 personal property without paying tax to the seller and authorizes the seller to not collect
40 any tax on a sale to the certificate holder. A person who purchases tangible personal
41 property under a direct pay certificate is liable for use tax due on the purchase. The tax
42 is payable when the property is placed in use. A direct pay certificate does not apply to
43 taxes imposed under G.S. 105-164.4(a)(1f) or G.S. 105-164.4(a)(4a).

44 (b) Telecommunications Service. – A direct pay permit for telecommunications
45 service authorizes its holder to purchase telecommunications service without paying tax
46 to the seller and authorizes the seller to not collect any tax on a sale to the permit holder.
47 A person who purchases telecommunications service under a direct pay permit must file
48 a return and pay the tax due monthly to the Secretary. A direct pay permit issued under
49 this subsection does not apply to any tax other than the tax on telecommunications
50 service.

51 A call center that purchases interstate telecommunications service that originates
52 outside this State and terminates in this State may apply to the Secretary for a direct pay
53 permit for telecommunications service. A call center is a business that is primarily

1 engaged in providing support services to customers by telephone to support products or
2 services of the business. A business is primarily engaged in providing support services
3 by telephone if at least sixty percent (60%) of its calls are incoming.

4 (c) Application. – An application for a direct pay permit must be made on a form
5 provided by the Secretary and contain the information required by the Secretary. The
6 Secretary may grant the application if the Secretary finds that the applicant complies
7 with the sales and use tax laws and that the applicant's compliance burden will be
8 greatly reduced by use of the permit.

9 (d) Revocation. – A direct pay ~~certificate-permit~~ is valid until the holder returns it
10 to the Secretary or ~~it is revoked by the Secretary~~, the Secretary revokes it. The Secretary
11 may revoke a direct pay ~~certificate-permit~~ if the holder of the ~~certificate-permit~~ does not
12 file a sales and use tax return on time, does not pay sales and use on time, or otherwise
13 fails to comply with the sales and use tax laws."

14 **SECTION 34.4.(j)** Part 8 of Article 5 of Chapter 105 of the General Statutes
15 is amended by adding a new section to read:

16 "**§ 105-164.44F. Distribution of part of telecommunications taxes to cities.**

17 (a) Amount. – The Secretary must distribute to the cities part of the taxes
18 imposed by G.S. 105-164.4(a)(4c) on telecommunications service. The Secretary must
19 make the distribution within 75 days after the end of each calendar quarter. The amount
20 the Secretary must distribute is eighteen and sixty-two hundredths percent (18.62%) of
21 the net proceeds of the taxes collected during the quarter, minus two million six hundred
22 twenty thousand nine hundred forty-eight dollars (\$2,620,948). This deduction is one-
23 fourth of the annual amount by which the distribution to cities of the gross receipts
24 franchise tax on telephone companies, imposed by former G.S. 105-120, was required to
25 be reduced beginning in fiscal year 1995-1996 as a result of the 'freeze deduction'. The
26 Secretary must distribute the specified percentage of the proceeds, less the 'freeze
27 deduction' among the cities in accordance with this section.

28 (b) Share of Cities Incorporated on or After January 1, 2001. – The share of a
29 city incorporated on or after January 1, 2001, is its per capita share of the amount to be
30 distributed to all cities incorporated on or after this date. This amount is the proportion
31 of the total to be distributed under this section that is the same as the proportion of the
32 population of cities incorporated on or after January 1, 2001, compared to the
33 population of all cities. In making the distribution under this subsection, the Secretary
34 must use the most recent annual population estimates certified to the Secretary by the
35 State Planning Officer.

36 (c) Share of Cities Incorporated Before January 1, 2001. – The share of a city
37 incorporated before January 1, 2001, is its proportionate share of the amount to be
38 distributed to all cities incorporated before this date. A city's proportionate share for a
39 quarter is based on the amount of telephone gross receipts franchise taxes attributed to
40 the city under G.S. 105-116.1 for the same quarter that was the last quarter in which
41 taxes were imposed on telephone companies under repealed G.S. 105-120. The amount
42 to be distributed to all cities incorporated before January 1, 2001, is the amount
43 determined under subsection (a) of this section, minus the amount distributed under
44 subsection (b) of this section.

45 The following changes apply when a city incorporated before January 1, 2001, alters
46 its corporate structure. When a change described in subdivision (2) or (3) of this
47 subsection occurs, the resulting cities are considered to be cities incorporated before
48 January 1, 2001, and the distribution method set out in this subsection rather than the
49 method set out in subsection (b) of this section applies.

50 (1) If a city dissolves and is no longer incorporated, the proportional
51 shares of the remaining cities incorporated before January 1, 2001,
52 must be recalculated to adjust for the dissolution of that city.

1 (2) If two or more cities merge or otherwise consolidate, their proportional
 2 shares are combined.

3 (3) If a city divides into two or more cities, the proportional share of the
 4 city that divides is allocated among the new cities on a per capita basis.

5 (d) Ineligible Cities. – An ineligible city is disregarded for all purposes under this
 6 section. A city incorporated on or after January 1, 2000, is not eligible for a distribution
 7 under this section unless it meets both of the following requirements:

8 (1) It is eligible to receive funds under G.S. 136-41.2.

9 (2) A majority of the mileage of its streets are open to the public."

10 **SECTION 34.4.(k)** G.S. 105-116.1 reads as rewritten:

11 "**§ 105-116.1. Distribution of gross receipts taxes to cities.**

12 (a) Definitions. – The following definitions apply in this section:

13 (1) Freeze deduction. – The amount by which the percentage distribution
 14 amount of a city was required to be reduced in fiscal year 1995-96 in
 15 determining the amount to distribute to the city.

16 (2) Percentage distribution amount. – Three and nine hundredths percent
 17 (3.09%) of the gross receipts derived by an electric power company
 18 ~~and a telephone company~~ from sales within a city that are taxable
 19 ~~under G.S. 105-116 or G.S. 105-120.~~ G.S. 105-116.

20 (b) Distribution. – The Secretary must distribute to the cities part of the taxes
 21 collected under this Article on electric power ~~companies and telephone~~ companies. Each
 22 city's share for a calendar quarter is the percentage distribution amount for that city for
 23 that quarter minus one-fourth of the city's hold-back amount and one-fourth of the city's
 24 proportionate share of the annual cost to the Department of administering the
 25 distribution. The Secretary must make the distribution within 75 days after the end of
 26 each calendar quarter.

27 (c) Limited Hold-Harmless Adjustment. – The hold-back amount for a city that,
 28 in the 1995-96 fiscal year, received from gross receipts taxes on electric power
 29 companies and natural gas companies less than ninety-five percent (95%) of the amount
 30 it received in the 1990-91 fiscal year but at least sixty percent (60%) of the amount it
 31 received in the 1990-91 fiscal year is the amount determined by the following
 32 calculation:

33 (1) Adjust the city's 1995-96 distribution by adding the city's freeze
 34 deduction attributable to receipts from electric power companies and
 35 natural gas companies to the amount distributed to the city for that
 36 year.

37 (2) Compare the adjusted 1995-96 amount with the city's 1990-91
 38 distribution.

39 (3) If the adjusted 1995-96 amount is less than or equal to the city's
 40 1990-91 distribution, the hold-back amount for the city is zero.

41 (4) If the adjusted 1995-96 amount is more than the city's 1990-91
 42 distribution, the hold-back amount for the city is the city's freeze
 43 deduction attributable to receipts from electric power companies and
 44 natural gas companies minus the difference between the city's 1990-91
 45 distribution and the city's 1995-96 distribution.

46 (c1) Additional Limited Hold-Harmless Adjustment. – The hold-back amount for
 47 a city that, in the 1995-96 fiscal year, received from gross receipts taxes on electric
 48 power companies and natural gas companies less than sixty percent (60%) of the
 49 amount it received in the 1990-91 fiscal year is the amount determined by the following
 50 calculation:

51 (1) Adjust the city's 1999-2000 distribution by adding the city's freeze
 52 deduction attributable to receipts from electric power companies and

- 1 natural gas companies to the amount distributed to the city for that
 2 year.
 3 (2) Compare the adjusted 1999-2000 amount with the city's 1990-91
 4 distribution.
 5 (3) If the adjusted 1999-2000 amount is less than or equal to the city's
 6 1990-91 distribution, the hold-back amount for the city is zero.
 7 (4) If the adjusted 1999-2000 amount is more than the city's 1990-91
 8 distribution, the hold-back amount for the city is the city's freeze
 9 deduction attributable to receipts from electric power companies and
 10 natural gas companies minus the difference between the city's 1990-91
 11 distribution and the city's 1999-2000 distribution.

12 (d) Allocation of Hold-Harmless Adjustment. – The hold-back amount for a city
 13 that, in the 1995-96 fiscal year, received from gross receipts taxes on electric power
 14 companies and natural gas companies at least ninety-five percent (95%) of the amount it
 15 received in the 1990-91 fiscal year is the amount determined by the following
 16 calculation:

- 17 (1) Determine the amount by which the freeze deduction attributable to
 18 receipts from electric power companies and natural gas companies is
 19 reduced for all cities whose hold-back amount is determined under
 20 subsections (c) and (c1) of this section. This amount is the total
 21 hold-harmless adjustment.
 22 (2) Determine the amount of gross receipts taxes that would be distributed
 23 for the quarter to cities whose hold-back amount is determined under
 24 this subsection if these cities received their percentage distribution
 25 amount minus one-fourth of their freeze ~~deduction~~ deduction
 26 attributable to receipts from electric power companies and natural gas
 27 companies.
 28 (3) For each city included in the calculation in subdivision (2) of this
 29 subsection, determine that city's percentage share of the amount
 30 determined under that subdivision.
 31 (4) Add to the city's freeze deduction attributable to receipts from electric
 32 power companies and natural gas companies an amount equal to the
 33 city's percentage share under subdivision (3) of this subsection
 34 multiplied by the total hold-harmless adjustment.

35 (e) Disqualification. – No municipality may receive any funds under this section
 36 if it was incorporated with an effective date of on or after January 1, 2000, and is
 37 disqualified from receiving funds under G.S. 136-41.2. No municipality may receive
 38 any funds under this section, incorporated with an effective date on or after January 1,
 39 2000, unless a majority of the mileage of its streets are open to the public. The previous
 40 sentence becomes effective with respect to distribution of funds on or after July 1,
 41 1999."

42 **SECTION 34.4.(l)** G.S. 105-120 is repealed.

43 **SECTION 34.4.(m)** G.S. 105-467 is amended by adding a new subdivision
 44 to read:

45 "**(6)** The sales price of prepaid telephone calling arrangements taxed as
 46 tangible personal property under G.S. 105-164.4(a)(4d)."

47 **SECTION 34.4.(n)** The first paragraph of Section 4 of Chapter 1096 of the
 48 1967 Session Laws, as amended, is amended as follows:

- 49 (1) By deleting the word "and" before subdivision (5).
 50 (2) By changing the period at the end of subdivision (5) to a semicolon
 51 and adding the word "and".
 52 (3) By adding a new subdivision to read:

1 "(6) The sales price of prepaid telephone calling arrangements taxed as
2 tangible personal property under G.S. 105-164.4(a)(4d)."

3 **SECTION 34.4.(o)** The Department of Revenue must report to the Revenue
4 Laws Study Committee by October 1, 2003, on the amounts collected under this section
5 and on the distributions made to local governments, including the amounts received by
6 them from the sales and use tax on prepaid calling arrangements. On or before October
7 1, 2007, the Department must report to the Revenue Laws Study Committee any
8 recommendations it has, if any, to adjust the distributions made to local governments.
9 The Department must consult with the North Carolina League of Municipalities in
10 developing its recommendations.

11 **SECTION 34.4.(p)** G.S. 153A-152 reads as rewritten:

12 "**§ 153A-152. Privilege license taxes.**

13 (a) Authority. – A county may levy privilege license taxes on trades,
14 occupations, professions, businesses, and franchises to the extent authorized by Article
15 2 of Chapter 105 of the General Statutes and any other acts of the General Assembly. A
16 county may levy privilege license taxes to the extent formerly authorized by the
17 following sections of Article 2 of Chapter 105 of the General Statutes before they were
18 repealed:

19	G.S. 105-50	Pawnbrokers.
20	G.S. 105-53	Peddlers, itinerant merchants, and specialty market operators.
21	G.S. 105-55	Installing elevators and automatic sprinkler systems.
22	G.S. 105-58	Fortune tellers, palmists, etc.
23	G.S. 105-65	Music machines.
24	G.S. 105-66.1	Electronic video games.
25	G.S. 105-80	Firearms dealers and dealers in other weapons.
26	G.S. 105-89	Automobiles, wholesale supply dealers and service stations.
27	G.S. 105-89.1	Motorcycle dealers.
28	G.S. 105-90	Emigrant and employment agents.
29	G.S. 105-102.5	General business license.

30 (b) Telecommunications Restriction. – A county may not impose a license,
31 franchise, or privilege tax on a company taxed under G.S. 105-164.4(a)(4c)."

32 **SECTION 34.4.(q)** G.S. 160A-211 is amended by adding a new subsection
33 to read:

34 "(d) Telecommunications Restriction. – A city may not impose a license,
35 franchise, or privilege tax on a company taxed under G.S. 105-164.4(a)(4c)."

36 **SECTION 34.4.(r)** Pursuant to G.S. 62-31 and G.S. 62-32, the Utilities
37 Commission must lower the rate set for local telecommunications service to reflect the
38 repeal of G.S. 105-120 and the resulting liability of local telecommunications
39 companies for the tax imposed under G.S. 105-122.

40 **SECTION 34.4.(s)** The Revenue Laws Study Committee shall recommend
41 to the 2002 Regular Session of the 2001 General Assembly any changes necessary to
42 this section to conform with the federal Mobile Telecommunications Sourcing Act.

43 **SECTION 34.4.(t)** G.S. 105-164.4(a) is amended by adding a new
44 subdivision to read:

45 "(4d) The rate of six percent (6%) applies to the gross receipts derived from
46 providing interstate telecommunications service. A person who
47 provides this service is considered a retailer under this Article."

48 **SECTION 34.4.(u)** Subsection (t) of this section becomes effective August
49 1, 2001, and expires on January 1, 2002. The remainder of this section becomes
50 effective January 1, 2002."

51
52 Requested by: Senators Hoyle, Kerr, Dalton, Plyler, Odom, Lee
53 **IMPOSE FRANCHISE TAX ON CORPORATE-AFFILIATED LLCs**

1 **SECTION 34.5.(a)** G.S. 105-114 is amended by adding a new subsection to
2 read:

3 "**(c) Limited Liability Companies.** – If a corporation is a member of a limited
4 liability company and the limited liability company's governing law provides that
5 seventy percent (70%) or more of its assets, after payments to creditors, must be
6 distributed upon dissolution to the member corporation or to includible corporations of
7 an affiliated group in which the member corporation is includible, then (i) a percentage
8 of the limited liability company's income, assets, liabilities, and equity is attributed to
9 that member corporation and must be included in the member corporation's computation
10 of tax under this Article, and (ii) the member corporation's investment in the limited
11 liability company is not included in the member corporation's computation of tax under
12 this Article. The attributable percentage is equal to the percentage of the limited liability
13 company's assets, after payments to creditors, that would be distributable to the member
14 corporation under the limited liability company's governing law if the limited liability
15 company dissolved as of the last day of the member corporation's taxable year. In all
16 other cases, none of the limited liability company's income, assets, liabilities, or equity
17 is attributed to a member corporation under this Article. A limited liability company's
18 governing law is determined under G.S. 57C-6-05 or G.S. 57C-7-01, as applicable. The
19 definitions in section 1504 of the Code apply in this subsection."

20 **SECTION 34.5.(b)** This section becomes effective January 1, 2002, and
21 applies to taxes due on or after that date.

22
23 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

24 **PROVIDE CORPORATE INCOME TAX ADJUSTMENTS FOR CERTAIN**
25 **TRANSACTIONS BETWEEN RELATED MEMBERS PERTAINING TO**
26 **TRADEMARKS**

27 **SECTION 34.6.(a)** Part 1 of Article 4 of Chapter 105 of the General Statutes
28 is amended by adding a new section to read:

29 **"§ 105-130.7A. Adjustments pertaining to trademarks.**

30 **(a) Purpose.** – Royalty payments received for the use of trademarks in this State
31 are income derived from doing business in this State. This section provides taxpayers
32 with an option concerning the method by which these royalties can be reported for
33 taxation when the recipient and the payer are related members. As provided in this
34 section, these royalty payments can be either (i) deducted by the payer and included in
35 the income of the recipient, or (ii) added back to the income of the payer and excluded
36 from the income of the recipient.

37 **(b) Definitions.** – The following definitions apply in this section:

38 **(1) Component member.** – Defined in section 1563(b) of the Code.

39 **(2) Own.** – To own directly, indirectly, beneficially, or constructively. The
40 attribution rules of section 318 of the Code apply in determining
41 ownership under this section.

42 **(3) North Carolina royalty.** – An amount charged that is for, related to, or
43 in connection with the use in this State of a trademark. The term
44 includes royalty and technical fees, licensing fees, and other similar
45 charges.

46 **(4) Related entity.** – Any of the following:

47 **a.** A stockholder who is an individual, or a member of the
48 stockholder's family enumerated in section 318 of the Code, if
49 the stockholder and the members of the stockholder's family
50 own in the aggregate at least fifty percent (50%) of the value of
51 the taxpayer's outstanding stock.

52 **b.** A stockholder, or a stockholder's partnership, limited liability
53 company, estate, trust, or corporation, if the stockholder and the

- 1 stockholder's partnerships, limited liability companies, estates,
 2 trusts, and corporations are component members with respect to
 3 the taxpayer.
- 4 c. A corporation, or a party related to the corporation in a manner
 5 that would require an attribution of stock from the corporation
 6 to the party or from the party to the corporation under the
 7 attribution rules of section 318 of the Code, if the taxpayer
 8 owns at least fifty percent (50%) of the value of the
 9 corporation's outstanding stock.
- 10 (5) Related member. – A person that, with respect to the taxpayer during
 11 any part of the taxable year, is one or more of the following:
- 12 a. A related entity.
 13 b. A component member.
 14 c. A person to or from whom there is attribution of stock
 15 ownership in accordance with section 1563(e) of the Code.
- 16 (6) Royalty payment. – Either of the following:
- 17 a. Expenses, losses, and costs paid, accrued, or incurred for North
 18 Carolina royalties, to the extent the amounts are allowed as
 19 deductions or costs in determining taxable income before
 20 operating loss deduction and special deductions for the taxable
 21 year under the Code.
- 22 b. Amounts directly or indirectly allowed as deductions under
 23 section 163 of the Code, to the extent the amounts are paid,
 24 accrued, or incurred for a time price differential charged for the
 25 late payment of any expenses, losses, or costs described in this
 26 subdivision.
- 27 (7) Trademark. – A trademark, trade name, service mark, or other similar
 28 type of intangible asset.
- 29 (8) Use. – Use of a trademark includes direct or indirect maintenance,
 30 management, ownership, sale, exchange, or disposition of the
 31 trademark.
- 32 (c) Election. – For the purpose of computing its State net income, a taxpayer
 33 must add royalty payments made to, or in connection with transactions with, a related
 34 member during the taxable year. This addition is not required for an amount of royalty
 35 payments that meets either of the following conditions:
- 36 (1) The related member includes the amount as income on a return filed
 37 under this Part for the same taxable year that the amount is deducted
 38 by the taxpayer, and the related member does not elect to deduct the
 39 amount pursuant to G.S. 105-130.5(b)(20).
- 40 (2) The taxpayer can establish that the related member during the same
 41 taxable year directly or indirectly paid, accrued, or incurred the
 42 amount to a person who is not a related member.
- 43 (d) Indirect Transactions. – For the purpose of this section, an indirect transaction
 44 or relationship has the same effect as if it were direct."
- 45 **SECTION 34.6.(b)** G.S. 105-130.4(a)(4) reads as rewritten:
 46 "(4) 'Excluded corporation' means any corporation engaged in business as
 47 a building or construction contractor, a securities dealer, or a loan
 48 company or a corporation which that receives more than fifty percent
 49 (50%) of its ordinary gross income from investments in and/or dealing
 50 in intangible property."
- 51 **SECTION 34.6.(c)** G.S. 105-130.5(a) is amended by adding a new
 52 subdivision to read:

1 "(a) The following additions to federal taxable income shall be made in
2 determining State net income:

3 ...
4 (14) Royalty payments required to be added by G.S. 105-130.7A, to the
5 extent deducted in calculating federal taxable income."

6 **SECTION 34.6.(d)** G.S. 105-130.5(b) is amended by adding a new
7 subdivision to read:

8 "(b) The following deductions from federal taxable income shall be made in
9 determining State net income:

10 ...
11 (20) Royalty payments received from a related member who added the
12 payments to income under G.S. 105-130.7A for the same taxable
13 year."

14 **SECTION 34.6.(e)** This section is effective for taxable years beginning on
15 or after January 1, 2001. Notwithstanding G.S. 105-163.41, no addition to tax may be
16 made under that statute for a taxable year beginning on or after January 1, 2001, and
17 before January 1, 2002, with respect to an underpayment of corporation income tax to
18 the extent the underpayment was created or increased by this section.

19 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

20 **CONFORM NORTH CAROLINA'S SUBSIDIARY DIVIDEND DEDUCTION**
21 **TO THE GENERALLY ACCEPTED TREATMENT USED IN OTHER**
22 **STATES**

23 **SECTION 34.7.(a)** G.S. 105-130.5(a)(7) and G.S. 105-130.7(b) are
24 repealed.

25 **SECTION 34.7.(b)** G.S. 105-130.5(b) is amended by adding two new
26 subdivisions to read:

27 "(b) The following deductions from federal taxable income shall be made in
28 determining State net income:

29 ...
30 (3a) Dividends treated as received from sources outside the United States
31 as determined under section 862 of the Code, to the extent included in
32 federal taxable income.

33 (3b) Any amount included in federal taxable income under section 78 or
34 section 951 of the Code."

35 **SECTION 34.7.(c)** This section is effective for taxable years beginning on
36 or after January 1, 2001. Notwithstanding G.S. 105-163.41, no addition to tax may be
37 made under that statute for a taxable year beginning on or after January 1, 2001, and
38 before January 1, 2002, with respect to an underpayment of corporation income tax to
39 the extent the underpayment was created or increased by this section.

40 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

41 **ELIMINATE THE CHILDREN'S HEALTH INSURANCE TAX CREDIT**

42 **SECTION 34.8.(a)** G.S. 105-151.27 is repealed.

43 **SECTION 34.8.(b)** This section is effective for taxable years beginning on
44 or after January 1, 2001.

45 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

46 **UPDATE INTERNAL REVENUE CODE REFERENCE**

47 **SECTION 34.9.(a)** G.S. 105-228.90(b)(1b) reads as rewritten:

48 "(b) Definitions. – The following definitions apply in this Article:

49 ...
50
51
52

1 (1b) Code. – The Internal Revenue Code as enacted as of January 1,
2 ~~2000,2001~~, including any provisions enacted as of that date which
3 become effective either before or after that date."

4 **SECTION 34.9.(b)** G.S. 105-130.5(a)(13) is repealed.

5 **SECTION 34.9.(c)** Notwithstanding subsection (a) of this section, any
6 amendments to the Internal Revenue Code enacted in 2000 that increase North Carolina
7 taxable income for the 2000 taxable year become effective for taxable years beginning
8 on or after January 1, 2001.

9 **SECTION 34.9.(d)** Subsection (b) of this section is effective for taxable
10 years beginning on or after January 1, 2002. The remainder of this section is effective
11 for taxable years beginning on or after January 1, 2001.

12
13 Requested by: Senators Hoyle, Kerr, Thomas, Plyler, Odom, Lee

14 **ACCELERATE PAYMENT OF WITHHOLDING TAXES**

15 **SECTION 34.10.(a)** G.S. 105-163.6(b) reads as rewritten:

16 "(b) Quarterly. – An employer who withholds an average of less than ~~five-one~~
17 hundred dollars (~~\$500.00~~)(~~\$100.00~~) of State income taxes from wages each month shall
18 file a return and pay the withheld taxes on a quarterly basis. A quarterly return covers a
19 calendar quarter and is due by the last day of the month following the end of the
20 quarter."

21 **SECTION 34.10.(b)** G.S. 105-163.6(c) reads as rewritten:

22 "(c) Monthly. – An employer who withholds an average of at least ~~five-one~~
23 hundred dollars (~~\$500.00~~)(~~\$100.00~~) but less than two thousand dollars (\$2,000) from
24 wages each month shall file a return and pay the withheld taxes on a monthly basis. A
25 return for the months of January through November is due by the 15th day of the month
26 following the end of the month covered by the return. A return for the month of
27 December is due the following January 31."

28 **SECTION 34.10.(c)** In order to pay for its costs of postage, printing, and
29 computer programming to implement this section, the Department of Revenue may
30 withhold not more than seventy-five thousand dollars (\$75,000) from collections under
31 Article 4 of Chapter 105 of the General Statutes during the first two quarters of the
32 2001-2002 fiscal year.

33 **SECTION 34.10.(d)** Subsection (c) of this section becomes effective July 1,
34 2001. The remainder of this section becomes effective January 1, 2002, and applies to
35 payments of withheld income taxes made on or after that date.

36
37 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

38 **REVIEW ALL TAX CREDITS PERIODICALLY**

39 **SECTION 34.11.(a)** The General Assembly finds that tax credits are
40 enacted from time to time to encourage or reward behavior that is beneficial to the State.
41 These tax credits are tax expenditures that, like appropriations, spend public funds for
42 the benefit of certain businesses, interest groups, and other taxpayers. Unlike
43 appropriations, however, these tax credits may continue in perpetuity, costing the public
44 millions of dollars each year without periodic review by the General Assembly. In
45 order to allow the General Assembly the opportunity to consider each tax credit on its
46 merits from time to time to determine whether it continues to serve a public purpose that
47 justifies its cost to the public, each tax credit should be sunset every three years. After
48 enactment of this section, those businesses, interest groups, and other taxpayers who
49 benefit from these tax credits are encouraged to demonstrate the continued need for
50 each tax credit. It is the intent of the General Assembly to review these tax credits and
51 renew all that continue to serve a valid public purpose.

1 **SECTION 34.11.(b)** The following sections of Chapter 105 of the General
2 Statutes are repealed effective for costs incurred and investments made during taxable
3 years beginning on or after January 1, 2003:

4 § 105-129.35. Credit for rehabilitating an income-producing historic structure.

5 § 105-129.36. Credit for rehabilitating a nonincome-producing historic structure.

6 § 105-130.25. Credit against corporate income tax for construction of cogenerating
7 power plants.

8 § 105-151.6. Credit for construction of a fuel ethanol distillery.

9 § 105-130.28. Credit against corporate income tax for construction of a renewable
10 energy equipment facility.

11 § 105-130.36. Credit for conservation tillage equipment.

12 § 105-151.13. Credit for conservation tillage equipment.

13 § 105-130.44. Credit for construction of poultry composting facility.

14 § 105-151.25. Credit for construction of a poultry composting facility.

15 **SECTION 34.11.(c)** The following sections of Chapter 105 of the General
16 Statutes are repealed effective for dwelling units completed during taxable years
17 beginning on or after January 1, 2003:

18 § 105-130.22. Tax credit for construction of dwelling units for handicapped persons.

19 § 105-151.1. Credit for construction of dwelling units for handicapped persons.

20 **SECTION 34.11.(d)** The following sections of Chapter 105 of the General
21 Statutes are repealed effective for donations made during taxable years beginning on or
22 after January 1, 2003:

23 § 105-130.34. Credit for certain real property donations.

24 § 105-151.12. Credit for certain real property donations.

25 § 105-130.37. Credit for gleaned crop.

26 § 105-151.14. Credit for gleaned crop.

27 § 105-151.26. Credit for charitable contributions by nonitemizers.

28 **SECTION 34.11.(e)** The following sections of Chapter 105 of the General
29 Statutes are repealed effective for taxable years beginning on or after January 1, 2003:

30 § 105-130.39. Credit for certain telephone subscriber line charges.

31 § 105-130.43. Credit for savings and loan supervisory fees.

32 § 105-151.21. Credit for property taxes paid on farm machinery.

33 § 105-151.27. Credit for child health insurance.

34 § 105-151.28. Credit for premiums paid on long-term care insurance.

35 **SECTION 34.11.(f)** This section does not affect the rights or liabilities of
36 the State, a taxpayer, or another person arising under a statute repealed by this act
37 before the effective date of its repeal; nor does it affect the right to any refund or credit
38 of a tax that accrued under the repealed statute before the effective date of its repeal.

39 **SECTION 34.11.(g)** This section becomes effective for taxable years
40 beginning on or after January 1, 2003.

41
42 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

43 **SAVINGS CLAUSE**

44 **SECTION 34.12.** This Part does not affect the rights or liabilities of the
45 State, a taxpayer, or another person arising under a statute amended or repealed by this
46 Part before the effective date of its amendment or repeal; nor does it affect the right to
47 any refund or credit of a tax that accrued under the amended or repealed statute before
48 the effective date of its amendment or repeal.

50 **PART XXXV. BUDGET FEE PROVISIONS**

51
52 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

53 **REGULATORY FEE FOR UTILITIES COMMISSION**

1 **SECTION 35.1.(a)** The percentage rate to be used in calculating the public
2 utility regulatory fee under G.S. 62-302(b)(2) is one-tenth percent (0.1%) for each
3 public utility's North Carolina jurisdictional revenues earned during each quarter that
4 begins on or after July 1, 2001.

5 **SECTION 35.1.(b)** The annual fee imposed on The North Carolina Electric
6 Membership Corporation under G.S. 62-302(b1) for the 2001-2002 fiscal year is two
7 hundred thousand dollars (\$200,000).

8 **SECTION 35.1.(c)** This section becomes effective July 1, 2001.

9
10 Requested by: Senators Hoyle, Kerr, Plyler, Odom, Lee

11 **INSURANCE REGULATORY CHARGE**

12 **SECTION 35.2.(a)** The percentage rate to be used in calculating the
13 insurance regulatory charge under G.S. 58-6-25 is six and one-half percent (6.5%) for
14 the 2001 calendar year.

15 **SECTION 35.2.(b)** This section is effective when it becomes law.

16
17 Requested by: Senators Hoyle, Kerr, Warren, Plyler, Odom, Lee

18 **INCREASE NONRESIDENT SEARCH FEE**

19 **SECTION 35.3.(a)** G.S. 121-5(d) reads as rewritten:

20 "(d) Preservation of Permanently Valuable Records. – Public records certified by
21 the Department of Cultural Resources as being of permanent value shall be preserved in
22 the custody of the agency in which the records are normally kept or of the North
23 Carolina State Archives. Any State, county, municipal, or other public official is hereby
24 authorized and empowered to turn over to the Department of Cultural Resources any
25 State, county, municipal, or other public records no longer in current official use, and
26 the Department of Cultural Resources is authorized in its discretion to accept such
27 records, and having done so shall provide for their administration and preservation in
28 the North Carolina State Archives. When such records have been thus surrendered,
29 photocopies, microfilms, typescripts, or other copies of them shall be made and certified
30 under seal of the Department, upon application of any person, which certification shall
31 have the same force and effect as if made by the official or agency by which the records
32 were transferred to the Department of Cultural Resources; and the Department may
33 charge reasonable fees for ~~such these~~ copies. The Department may answer written
34 inquiries for nonresidents of ~~North Carolina the State~~ and for ~~such this~~ service may
35 charge a search and handling fee not to exceed ~~ten dollars (\$10.00), twenty-five dollars~~
36 (\$25.00). ~~the~~ The receipts from ~~which this~~ fee shall be used to defray the cost of
37 providing ~~such this~~ service."

38 **SECTION 35.3.(b)** This section becomes effective July 1, 2001.

39
40 Requested by: Senators Hoyle, Kerr, Warren, Plyler, Odom, Lee

41 **STATEWIDE ACCOUNTS RECEIVABLE PROGRAM**

42 **SECTION 35.4.** G.S. 147-86.22 reads as rewritten:

43 **"§ 147-86.22. Statewide accounts receivable program.**

44 (a) Program. – The State Controller shall implement a statewide accounts
45 receivable program. As part of this program, the State Controller shall do all of the
46 following:

- 47 (1) Monitor the State's accounts receivable collection efforts.
- 48 (2) Coordinate information, systems, and procedures between State
49 agencies to maximize the collection of past-due accounts receivable.
- 50 (3) Adopt policies and procedures for the management and collection of
51 accounts receivable by State agencies.

1 (4) Establish procedures for writing off accounts receivable and for
2 determining when to end efforts to collect accounts receivable after
3 they have been written off.

4 (b) Electronic Payment. – Notwithstanding the provisions of G.S. 147-86.20 and
5 G.S. 147-86.21, this subsection applies to debts owed a community college, a local
6 school administrative unit, an area mental health, developmental disabilities, and
7 substance abuse authority, and the Administrative Office of the Courts, and to debts
8 payable to or through the office of a clerk of superior court or a magistrate, as well as to
9 debts owed to other State agencies as defined in G.S. 147-86.20.

10 The State Controller shall establish policies that allow accounts receivable to be
11 payable under certain conditions by electronic payment. These policies shall be
12 established with the concurrence of the State Treasurer. In addition, any policies that
13 apply to debts payable to or through the office of a clerk of superior court or a
14 magistrate shall be established with the concurrence of the Administrative Officer of the
15 Courts. The Administrative Officer of the Courts may also establish policies otherwise
16 authorized by law that apply to these debts as long as those policies are not inconsistent
17 with the Controller's policies.

18 A condition of payment by electronic payment is receipt by the appropriate State
19 agency of the full amount of the account receivable owed to the State agency. A debtor
20 who pays by electronic payment may be required to pay any fee or charge associated
21 with the use of electronic payment. Fees associated with processing electronic payments
22 may be paid out of the General Fund and Highway Fund if the payment of the fee by the
23 State is economically beneficial to the State and the payment of the fee by the State has
24 been approved by the State Controller and State Treasurer.

25 The State Controller and State Treasurer shall consult with the Joint Legislative
26 Commission on Governmental Operations before establishing policies that allow
27 accounts receivable to be payable by electronic payment and before authorizing fees
28 associated with electronic payment to be paid out of the General Fund and Highway
29 Fund. A State agency must also consult with the Joint Legislative Commission on
30 Governmental Operations before implementing any program to accept payment under
31 the policies established pursuant to this subsection.

32 A payment of an account receivable that is made by electronic payment and is not
33 honored by the issuer of the card or the financial institution offering electronic funds
34 transfer does not relieve the debtor of the obligation to pay the account receivable.

35 (c) Collection Techniques. – The State Controller, in conjunction with the Office
36 of the Attorney General, shall establish policies and procedures to govern techniques for
37 collection of accounts receivable. These techniques may include use of collection
38 agencies, credit reporting bureaus, judicial remedies authorized by law, and
39 administrative setoff by a reduction of an individual's tax refund pursuant to the Setoff
40 Debt Collection Act, Chapter 105A of the General Statutes, or a reduction of another
41 payment, other than payroll, due from the State to a person to reduce or eliminate an
42 account receivable that the person owes the State.

43 No later than January 1, 1999, the State Controller shall negotiate a contract with a
44 third party to perform an audit and collection process of inadvertent overpayments by
45 State agencies to vendors as a result of pricing errors, neglected rebates and discounts,
46 miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and
47 related errors. The third party shall be compensated only from funds recovered as a
48 result of the audit. Savings realized in excess of costs shall be transferred from the
49 agency to the Office of State Budget and Management and placed in a special reserve
50 account for future direction by the General Assembly. Any disputed savings shall be
51 settled by the State Controller. This paragraph does not apply to the purchase of medical
52 services by State agencies or payments used to reimburse or otherwise pay for health
53 care services.

1 (d) Fee. – A collection assistance fee is imposed on a past due debt that remains
2 unpaid 30 days or more after the required fee notice is mailed to the debtor. In order to
3 impose a collection assistance fee on a past due debt, the agency must notify the debtor
4 that the fee will be imposed if the past due debt is not paid in full within 30 days after
5 the date the fee notice was mailed to the debtor. The fee is collectible as part of the debt.
6 The amount of the collection assistance fee is twenty percent (20%) of the amount of
7 the overdue debt. If the state agency collects only part of the overdue debt, the amount
8 collected is allocated proportionally between the collection assistance fee and the debt.
9 The fee is a receipt of the agency and must be applied to the costs of collecting past due
10 debts. The proceeds of the fee must be credited to a special account within the agency
11 and may be expended only as provided in this subsection. The agency may apply the
12 proceeds of the fee to pay contractors for collecting debts under this subsection."
13

14 Requested by: Senators Hoyle, Kerr, Martin of Guilford, Plyler, Odom, Lee
15 **DHHS FACILITY SERVICES FEES**

16 **SECTION 35.5.(a)** G.S. 131D-2(b)(1) reads as rewritten:

17 "(b) Licensure; inspections. –

18 (1) The Department of Health and Human Services shall inspect and
19 license, under rules adopted by the Medical Care Commission, all
20 adult care homes for persons who are aged or mentally or physically
21 disabled except those exempt in subsection (c) of this section. Licenses
22 issued under the authority of this section shall be valid for one year
23 from the date of issuance unless revoked earlier by the Secretary for
24 failure to comply with any part of this section or any rules adopted
25 hereunder adult care. Licenses shall be renewed annually upon filing
26 and the Department's approval of the renewal application. The
27 Department shall charge the adult care home a nonrefundable annual
28 license fee in the amount of ten dollars (\$10.00) per licensed bed. A
29 license shall not be renewed if outstanding fines and penalties imposed
30 by the State against the home have not been paid. Fines and penalties
31 for which an appeal is pending are exempt from consideration. The
32 renewal application shall contain all necessary and reasonable
33 information that the Department may by rule require. Except as
34 otherwise provided in this subdivision, the Department may amend a
35 license by reducing it from a full license to a provisional license for a
36 period of not more than 90 days whenever the Department finds that:

- 37 a. The licensee has substantially failed to comply with the
38 provisions of Articles 1 and 3 of Chapter 131D of the General
39 Statutes and the rules adopted pursuant to these Articles;
40 b. There is a reasonable probability that the licensee can remedy
41 the licensure deficiencies within a reasonable length of time;
42 and
43 c. There is a reasonable probability that the licensee will be able
44 thereafter to remain in compliance with the licensure rules for
45 the foreseeable future.

46 The Department may extend a provisional license for not more than
47 one additional 90-day period upon finding that the licensee has made
48 substantial progress toward remedying the licensure deficiencies that
49 caused the license to be reduced to provisional status.

50 The Department may revoke a license whenever:

- 51 a. The Department finds that:
52 1. The licensee has substantially failed to comply with the
53 provisions of Articles 1 and 3 of Chapter 131D of the

1 General Statutes and the rules adopted pursuant to these
2 Articles; and

3 2. It is not reasonably probable that the licensee can remedy
4 the licensure deficiencies within a reasonable length of
5 time; or

6 b. The Department finds that:

7 1. The licensee has substantially failed to comply with the
8 provisions of Articles 1 and 3 of Chapter 131D of the
9 General Statutes and the rules adopted pursuant to these
10 Articles; and

11 2. Although the licensee may be able to remedy the
12 deficiencies within a reasonable time, it is not reasonably
13 probable that the licensee will be able to remain in
14 compliance with licensure rules for the foreseeable
15 future; or

16 c. The Department finds that the licensee has failed to comply
17 with the provisions of Articles 1 and 3 of Chapter 131D of the
18 General Statutes and the rules adopted pursuant to these
19 Articles, and the failure to comply endangered the health,
20 safety, or welfare of the patients in the facility.

21 The Department may also issue a provisional license to a facility,
22 pursuant to rules adopted by the Medical Care Commission, for
23 substantial failure to comply with the provisions of this section or rules
24 adopted pursuant to this section. Any facility wishing to contest the
25 issuance of a provisional license shall be entitled to an administrative
26 hearing as provided in the Administrative Procedure Act, Chapter
27 150B of the General Statutes. A petition for a contested case shall be
28 filed within 30 days after the Department mails written notice of the
29 issuance of the provisional license."

30 **SECTION 35.5.(b)** G.S. 131E-77(d) reads as rewritten:

31 "(d) Upon receipt of an application for a license, the Department shall issue a
32 license if it finds that the applicant complies with the provisions of this Article and the
33 rules of the Commission. The Department shall renew each license in accordance with
34 the rules of the Commission. The Department shall charge the applicant a
35 nonrefundable annual license fee in the amount of ten dollars (\$10.00) per licensed
36 bed."

37 **SECTION 35.5.(c)** G.S. 131E-102(b) reads as rewritten:

38 "(b) Applications shall be available from the Department, and each application
39 filed with the Department shall contain all necessary and reasonable information that
40 the Department may by rule require. A license shall be granted to the applicant upon a
41 determination by the Department that the applicant has complied with the provisions of
42 this Part and the rules promulgated under this Part. The Department shall charge the
43 applicant a nonrefundable annual license fee in the amount of ten dollars (\$10.00) per
44 licensed bed."

45 **SECTION 35.5.(d)** G.S. 131E-138(c) reads as rewritten:

46 "(c) An application for a license shall be available from the Department, and each
47 application filed with the Department shall contain all information requested by the
48 Department. A license shall be granted to the applicant upon a determination by the
49 Department that the applicant has complied with the provisions of this Part and the rules
50 promulgated by the Commission under this Part. The Department shall charge the
51 applicant a nonrefundable annual license fee in the amount of one hundred dollars
52 (\$100.00)."

53 **SECTION 35.5.(e)** G.S. 131E-147(b) reads as rewritten:

1 "(b) Applications shall be available from the Department, and each application
2 filed with the Department shall contain all necessary and reasonable information that the
3 Department may by rule require. A license shall be granted to the applicant upon a
4 determination by the Department that the applicant has complied with the provisions of
5 this Part and the rules promulgated by the Commission under this Part. The Department
6 shall charge the applicant a nonrefundable annual license fee in the amount of ten
7 dollars (\$10.00) per licensed bed."

8 **SECTION 35.5.(f)** G.S. 131E-167(a) reads as rewritten:

9 "(a) Applications for certification shall be available from the Department, and
10 each application filed with the Department shall contain all necessary and reasonable
11 information that the Department may by rule require. A certificate shall be granted to
12 the applicant for a period not to exceed two years upon a determination by the
13 Department that the applicant has substantially complied with the provisions of this
14 Article and the rules promulgated by the Department under this Article. The Department
15 shall charge the applicant a nonrefundable annual certification fee in the amount of four
16 hundred dollars (\$400.00)."

17 **SECTION 35.5.(g)** G.S. 131E-202(b) reads as rewritten:

18 "(b) The Department shall provide applications for hospice licensure. Each
19 application filed with the Department shall contain all information requested therein. A
20 license shall be granted to the applicant upon determination by the Department that the
21 applicant has complied with the provisions of this Article and with the rules adopted by
22 the Commission thereunder. Each license shall be issued only for the premises and
23 persons named therein, shall not be transferable or assignable except with the written
24 approval of the Department, and shall be posted in a conspicuous place on the licensed
25 premises. The Department shall charge the applicant a nonrefundable annual license fee
26 in the amount of ten dollars (\$10.00) per licensed bed."

27 **SECTION 35.5.(h)** G.S. 14-45.1(a) reads as rewritten:

28 "(a) Notwithstanding any of the provisions of G.S. 14-44 and 14-45, it shall not be
29 unlawful, during the first 20 weeks of a woman's pregnancy, to advise, procure, or cause
30 a miscarriage or abortion when the procedure is performed by a physician licensed to
31 practice medicine in North Carolina in a hospital or clinic certified by the Department of
32 Health and Human Services to be a suitable facility for the performance of abortions.
33 The Department of Health and Human Services shall charge the facility a nonrefundable
34 annual certification fee in the amount of four hundred dollars (\$400.00)."

35 **SECTION 35.5.(i)** Part A of Article 6 of Chapter 131E of the General

36 Statutes is amended by adding the following new section to read:

37 **"§ 131E-115. Annual fee for licensure of skilled nursing beds in continuing care**
38 **retirement communities.**

39 The Department of Health and Human Services shall charge continuing care
40 retirement communities licensed pursuant to Article 64 of Chapter 58 of the General
41 Statutes a nonrefundable annual licensure fee in the amount of ten dollars (\$10.00) per
42 licensed skilled nursing bed."

43 **SECTION 35.5.(j)** Article 1 of Chapter 131D of the General Statutes is
44 amended by adding the following new section to read:

45 **"§ 131D-10. Annual fee for licensure of adult care home beds in continuing care**
46 **retirement communities.**

47 The Department shall charge continuing care retirement communities licensed
48 pursuant to Article 64 of Chapter 58 of the General Statutes a nonrefundable annual
49 licensure fee in the amount of ten dollars (\$10.00) per licensed adult care home bed."

50 **SECTION 35.5.(k)** G.S. 122C-23 is amended by adding the following new
51 subsection to read:

1 "(h) The Secretary shall charge all facilities licensed under this Chapter that have
2 licensed beds a nonrefundable annual licensure fee in the amount of ten dollars (\$10.00)
3 per licensed bed."

4 **SECTION 35.5.(l)** This section becomes effective October 1, 2001.

5
6 Requested by: Senators Hoyle, Kerr, Jordan, Ballance, Plyler, Odom, Lee

7 **INCREASE BUTNER TAXES**

8 **SECTION 35.6.(a)** Section 1 of S.L. 1983-830 reads as rewritten:

9 "Section 1. (a) The territorial jurisdiction of the Butner Police and Fire Protection
10 District shall include: (i) any property formerly a part of the original Camp Butner
11 reservation, including both those areas currently owned and occupied by the State and
12 its agencies and those which may have been leased or otherwise disposed of by the
13 State; (ii) the Lyons Station Sanitary District; and (iii) that part of Granville County
14 adjoining the Butner reservation and the Lyons Station Sanitary District situated north
15 and west of the intersection of Rural Paved Roads 1103 and 1106 and bounded by those
16 roads and the boundaries of said reservation and said sanitary district.

17 (b) The territorial jurisdiction set forth in subsection (a) of this section shall
18 constitute the Butner Fire and Police Protection District. The tax collectors of Durham
19 and Granville Counties shall annually collect ~~beginning with fiscal year 1983-84~~ a tax
20 of ~~twenty cents (20¢)~~ thirty cents (30¢) per one hundred dollars (\$100.00) valuation of
21 all real and personal property in the portions of said district in their respective counties
22 from year to year which tax shall be collected as county taxes are collected and shall
23 remit the same to the State Treasurer for deposit in the General Fund."

24 **SECTION 35.6.(b)** Subsection (a) of this section is effective for taxes
25 imposed for taxable years beginning on or after July 1, 2001.

26 **SECTION 35.6.(c)** Section 1 of S.L. 1983-830, as amended by subsection
27 (a) of this section, reads as rewritten:

28 "Section 1. (a) The territorial jurisdiction of the Butner Police and Fire Protection
29 District shall include: (i) any property formerly a part of the original Camp Butner
30 reservation, including both those areas currently owned and occupied by the State and
31 its agencies and those which may have been leased or otherwise disposed of by the
32 State; (ii) the Lyons Station Sanitary District; and (iii) that part of Granville County
33 adjoining the Butner reservation and the Lyons Station Sanitary District situated north
34 and west of the intersection of Rural Paved Roads 1103 and 1106 and bounded by those
35 roads and the boundaries of said reservation and said sanitary district.

36 (b) The territorial jurisdiction set forth in subsection (a) of this section shall
37 constitute the Butner Fire and Police Protection District. The tax collectors of Durham
38 and Granville Counties shall annually collect a tax of ~~thirty cents (\$.30)~~ forty cents
39 (40¢) per one hundred dollars (\$100.00) valuation of all real and personal property in
40 the portions of said district in their respective counties from year to year which tax shall
41 be collected as county taxes are collected and shall remit the same to the State Treasurer
42 for deposit in the General Fund."

43 **SECTION 35.6.(d)** Subsection (c) of this section is effective for taxes
44 imposed for taxable years beginning on or after July 1, 2002.

45
46 Requested by: Senators Hoyle, Kerr, Dalton, Lucas, Garrou, Plyler, Odom, Lee

47 **COMMUNITY COLLEGE FUEL TAX EXEMPTION**

48 **SECTION 35.7.(a)** G.S. 105-449.88 reads as rewritten:

49 **"§ 105-449.88. Exemptions from the excise tax.**

50 The excise tax on motor fuel does not apply to the following:

- 51 (1) Motor fuel removed, by transport truck or another means of transfer
52 outside the terminal transfer system, from a terminal for export, if the
53 motor fuel is removed by a licensed distributor or a licensed exporter

1 and the supplier of the motor fuel collects tax on it at the rate of the
2 motor fuel's destination state.

- 3 (1a) Motor fuel removed by transport truck from a terminal for export if the
4 motor fuel is removed by a licensed distributor or licensed exporter,
5 the supplier that is the position holder for the motor fuel sells the
6 motor fuel to another supplier as the motor fuel crosses the terminal
7 rack, the purchasing supplier or its customer receives the motor fuel at
8 the terminal rack for export, and the supplier that is the position holder
9 collects tax on the motor fuel at the rate of the motor fuel's destination
10 state.
11 (2) Motor fuel sold to the federal government for its use.
12 (3) Motor fuel sold to the State for its use.
13 (4) Motor fuel sold to a local board of education for use in the public
14 school system.
15 (5) Diesel that is kerosene and is sold to an airport.
16 (6) Motor fuel sold to a charter school for use for charter school purposes.
17 (7) Motor fuel sold to a community college for use for community college
18 purposes."

19 **SECTION 35.7.(b)** G.S. 115D-5 is amended by adding a new subsection to
20 read:

21 "(n) The North Carolina Community Colleges System Office shall provide the
22 Department of Revenue a list of all community colleges, including name, address, and
23 other identifying information requested by the Department of Revenue. The North
24 Carolina Community Colleges System Office shall update this list whenever there is a
25 change."

26 **SECTION 35.7.(c)** This section becomes effective October 1, 2001.

27 **PART XXXVI. MISCELLANEOUS PROVISIONS**

28 Requested by: Senators Plyler, Odom, Lee

29 **EXECUTIVE BUDGET ACT APPLIES**

30 **SECTION 36.1.** The provisions of the Executive Budget Act, Chapter 143,
31 Article 1 of the General Statutes, are reenacted and shall remain in full force and effect
32 and are incorporated in this act by reference.
33
34

35 Requested by: Senators Plyler, Odom, Lee

36 **COMMITTEE REPORT**

37 **SECTION 36.2.(a)** The Senate Appropriations Committee Report on the
38 Continuation, Expansion and Capital Budgets, dated May 29, 2001, which was
39 distributed in the Senate and House of Representatives and used to explain this act, shall
40 indicate action by the General Assembly on this act and shall therefore be used to
41 construe this act, as provided in G.S. 143-15 of the Executive Budget Act, and for these
42 purposes shall be considered a part of this act and as such shall be printed as a part of
43 the Session Laws.
44

45 **SECTION 36.2.(b)** The budget enacted by the General Assembly for the
46 maintenance of the various departments, institutions, and other spending agencies of the
47 State for the 2001-2003 fiscal biennium is a line item budget, in accordance with the
48 Budget Code Structure and the State Accounting System Uniform Chart of Accounts set
49 out in the Administrative Policies and Procedures Manual of the Office of the State
50 Controller. This budget includes the appropriations made from all sources including the
51 General Fund, Highway Fund, special funds, cash balances, federal receipts, and
52 departmental receipts.

1 The Director of the Budget submitted the itemized budget requests to the
2 General Assembly on March 12, 2001, in the document, "The North Carolina State
3 Budget, Summary of Recommendations for 2001-2003". The beginning appropriation
4 for the 2001-2002 fiscal year and the 2002-2003 fiscal year for the various departments,
5 institutions, and other spending agencies of the State is referenced in this document as
6 the recurring baseline budget. The recurring baseline budget was derived from the
7 December 31, 2000, authorized budget by applying adjustments for nonrecurring items,
8 building reserves, enrollment and entitlement changes, and transfers between budget
9 codes.

10 The General Assembly revised the recurring baseline budget for the
11 2001-2002 fiscal year and the 2002-2003 fiscal year submitted by the Director of the
12 Budget, in accordance with the steps that follow, and the line item detail in the budget
13 enacted by the General Assembly may be derived accordingly:

- 14 (1) The recurring baseline budget was revised in accordance with
15 reductions and additions that were set out in the Senate Appropriations
16 Committee Report on the Continuation, Expansion and Capital
17 Budget, dated May 29, 2001, together with any accompanying
18 correction sheets.
- 19 (2) Transfers of funds supporting programs were made in accordance with
20 the Senate Appropriations Committee Report on the Continuation,
21 Expansion and Capital Budget, dated May 29, 2001, together with any
22 accompanying correction sheets.

23 **SECTION 36.2.(c)** The budget enacted by the General Assembly shall also
24 be interpreted in accordance with the special provisions in this act and in accordance
25 with other appropriate legislation.

26 In the event that there is a conflict between the line item budget certified by
27 the Director of the Budget and the budget enacted by the General Assembly, the budget
28 enacted by the General Assembly shall prevail.

29
30 Requested by: Senators Plyler, Odom, Lee

31 **MOST TEXT APPLIES ONLY TO THE 2001-2003 FISCAL BIENNIUM**

32 **SECTION 36.3.** Except for statutory changes or other provisions that clearly
33 indicate an intention to have effects beyond the 2001-2003 fiscal biennium, the textual
34 provisions of this act apply only to funds appropriated for, and activities occurring
35 during, the 2001-2003 fiscal biennium.

36
37 Requested by: Senators Plyler, Odom, Lee

38 **EFFECT OF HEADINGS**

39 **SECTION 36.4.** The headings to the parts and sections of this act are a
40 convenience to the reader and are for reference only. The headings do not expand,
41 limit, or define the text of this act, except for effective dates referring to a Part.

42
43 Requested by: Senators Plyler, Odom, Lee

44 **SEVERABILITY CLAUSE**

45 **SECTION 36.5.** If any section or provision of this act is declared
46 unconstitutional or invalid by the courts, it does not affect the validity of this act as a
47 whole or any part other than the part so declared to be unconstitutional or invalid.

48
49 Requested by: Senators Plyler, Odom, Lee

50 **EFFECTIVE DATE**

51 **SECTION 36.6.** Except as otherwise provided, this act becomes effective
52 July 1, 2001.