

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007**

**SESSION LAW 2007-145  
HOUSE BILL 2044**

AN ACT AUTHORIZING THE DIRECTOR OF THE BUDGET TO CONTINUE EXPENDITURES FOR THE OPERATION OF GOVERNMENT AT THE LEVEL IN EFFECT ON JUNE 30, 2007; APPROPRIATING FUNDS FOR INCREASES IN THE AVERAGE DAILY MEMBERSHIP IN THE PUBLIC SCHOOLS; EXTENDING THE PROVISION THAT PERMITS RETIRED TEACHERS TO RETURN TO THE CLASSROOM WITHOUT A LOSS OF RETIREMENT BENEFITS; DELAYING THE EFFECTIVE DATE OF CHANGES TO THE MEDICAID ESTATE RECOVERY PLAN; AND EXTENDING THE SUNSET ON THE ADDITIONAL ONE-QUARTER CENT STATE SALES AND USE TAX FROM JULY 1, 2007, UNTIL AUGUST 1, 2007.

The General Assembly of North Carolina enacts:

**PART I. BUDGET CONTINUATION**

**SECTION 1.** The Director of the Budget may continue to allot funds for expenditure by State departments, institutions, and agencies at a level not to exceed the level of recurring expenditures authorized in S.L. 2006-66, as amended. The Director of the Budget may continue to allot funds from the Escheat Fund and Escheat Fund income for expenditure by the Board of Governors of The University of North Carolina, the State Board of Community Colleges, and the Department of Administration, Division of Veterans Affairs, for need-based student financial aid programs to aid worthy and needy students as provided by Article IX, section 10 of the State Constitution at a level not to exceed the level of recurring expenditures authorized in S.L. 2006-66, as amended.

The Director of the Budget shall not allocate funds for any of the purposes set out in the budget reductions contained in House Bill 1473, fifth edition, and House Bill 1473, eighth edition, that are not in controversy.

Vacant positions subject to proposed budget reductions in both House Bill 1473, fifth edition, and House Bill 1473, eighth edition, shall not be filled.

To the extent necessary to implement this authorization, there is appropriated from the appropriate State funds and cash balances, federal receipts, and departmental receipts for the 2007-2008 fiscal year funds necessary to carry out this section.

The appropriations and the authorizations to allocate and spend funds which are set out in this section shall remain in effect until the Current Operations and Capital Improvements Appropriations Act of 2007 becomes law, at which time that act shall become effective and shall govern appropriations and expenditures. When the Current Operations and Capital Improvements Appropriations Act of 2007 becomes law, the Director of the Budget shall adjust allotments to give effect to that act from July 1, 2007.

Except as otherwise provided by this act, the limitations and directions for the 2006-2007 fiscal year set out in S.L. 2005-276, as amended, and in S.L. 2006-66, as amended, remain in effect. Session laws that applied to appropriations to particular agencies or for particular purposes apply to the funds appropriated and authorized for expenditure under this section.

**PART II. FEDERAL BLOCK GRANTS**

**SECTION 2.** The Director of the Budget shall continue to allocate federal block grant funds at the levels provided in Sections 5.1 and 5.2 of S.L. 2006-52 and as otherwise provided by law, and appropriations from federal block grants are hereby made.

**PART III. NO AUTOMATIC STEP INCREASE FOR STATE AND PUBLIC SCHOOL EMPLOYEES**

**SECTION 3.** State employees subject to G.S. 7A-102(c), 7A-171.1, or 20-187.3 shall not move up on salary schedules or receive automatic increases, including automatic step increases, until authorized by the General Assembly.

Public school employees paid on the teacher salary schedule or the school-based administrator salary schedule shall not move up on salary schedules or receive automatic step increases until authorized by the General Assembly.

**PART IV. SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

**SECTION 4.(a)** The State's employer contribution rates budgeted for retirement and related benefits for the 2007-2008 fiscal year shall remain the same as they are on June 30, 2007.

**SECTION 4.(b)** The State's employer contribution rates established by this section are effective until the Current Operations and Capital Improvements Appropriations Act of 2007 becomes law and are subject to revision in that act. If the Current Operations and Capital Improvements Appropriations Act of 2007 modifies these rates, the Director of the Budget shall further modify the rates set in that act for the remainder of the 2007-2008 fiscal year so as to compensate for the different amount contributed between July 1, 2007, and the date the Current Operations and Capital Improvements Appropriations Act of 2007 becomes law so that the effective rates for the entire year reflect the rates set in the Current Operations and Capital Improvements Appropriations Act of 2007.

**PART V. FUNDS SHALL NOT REVERT**

**SECTION 5.(a)** If the provisions of either House Bill 1473, fifth edition, or House Bill 1473, eighth edition, or both, direct that funds shall not revert, the funds shall not revert on June 30, 2007. Unless these funds are encumbered on or before June 30, 2007, these funds shall not be expended after June 30, 2007, except as provided by a law enacted after June 30, 2007.

**SECTION 5.(b)** This section becomes effective June 30, 2007.

**PART VI. STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON JUNE 30**

**SECTION 6.(a)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, for the 2006-2007 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, 2007.

**SECTION 6.(b)** Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, for the 2006-2007 fiscal year only, funds shall not be reserved to the Savings Reserve Account, and the State Controller shall not transfer funds from the unreserved credit balance to the Savings Reserve Account on June 30, 2007.

**SECTION 6.(c)** This section becomes effective June 30, 2007.

**PART VII. RETIRED TEACHERS RETURN TO WORK**

**SECTION 7.(a)** Subsection (d) of Section 28.24 of S.L. 1998-212, as rewritten by Section 28.10 of S.L. 2002-126, subsection (a) of Section 31.18A of S.L. 2004-124, and Section 7A.1 of S.L. 2005-144, reads as rewritten:

"(d) This section becomes effective January 1, 1999, and expires ~~June 30, 2007.~~  
August 1, 2007."

**SECTION 7.(b)** The introductory language of Section 67 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, subsection (b) of Section 31.18A of S.L. 2004-124, and Section 7A.2 of S.L. 2005-144, reads as rewritten:

"**SECTION 67.** Effective January 1, 1999, through ~~June 30, 2007~~, August 1, 2007, G.S. 135-3(8)c., as rewritten by Section 28.24(a) of S.L. 1998-212 reads as rewritten:"

**SECTION 7.(c)** Subsection (b) of Section 67.1 of S.L. 1998-217, as rewritten by Section 28.10 of S.L. 2002-126, subsection (c) of Section 31.18A of S.L. 2004-124, and Section 7A.3 of S.L. 2005-144, reads as rewritten:

"(b) This section becomes effective January 1, 1999, and expires ~~June 30, 2007~~, August 1, 2007."

**SECTION 7.(d)** Subsection (c) of Section 32.25 of S.L. 2001-424, as rewritten by Section 28.10 of S.L. 2002-126, subsection (d) of Section 31.18A of S.L. 2004-124, and Section 7A.4 of S.L. 2005-144, reads as rewritten:

"**SECTION 32.25.(c)** This section becomes effective July 1, 2001, and expires ~~June 30, 2007~~, August 1, 2007."

**SECTION 7.(e)** Section 57(c) of S.L. 2004-199, as amended by Section 29.28(d) of S.L. 2005-276, reads as rewritten:

"**SECTION 57.(c)** This section expires ~~June 30, 2007~~, August 1, 2007."

**SECTION 7.(f)** Section 25 of S.L. 2006-226 reads as rewritten:

"**SECTION 25.(b)** This section becomes effective ~~June 30, 2007~~, August 1, 2007."

**SECTION 7.(g)** Notwithstanding any other provision of law, effective July 1, 2007, each local school administrative unit shall pay to the Teachers' and State Employees' Retirement System a Reemployed Teacher Contribution Rate of eleven and seventy-hundredths percent (11.70%) as a percentage of covered salaries that the retired teachers, who are exempt from the earnings cap, are being paid. Each local school administrative unit shall report monthly to the Retirement Systems Division on payments made pursuant to this section.

Notwithstanding any other provision of law, effective July 1, 2007, any portion of the payment made by a local school administrative unit to a reemployed teacher who is exempt from the earnings cap, consisting of salary plus the Reemployed Teacher Contribution rate, that exceeds the State-supported salary level for that position shall be paid from local funds.

**SECTION 7.(h)** If the Internal Revenue Service determines that the provisions of G.S. 135-3(8)c. relating to the computation of postretirement earnings of retired teachers jeopardize the status of the Teachers' and State Employees' Retirement System of North Carolina under the Internal Revenue Code, then the final two paragraphs of G.S. 135-3(8)c. are repealed.

**SECTION 7.(i)** This section is effective when it becomes law.

## **PART VIII. PUBLIC SCHOOLS**

**SECTION 8.** Effective July 1, 2007, there is appropriated from the General Fund to the Department of Public Instruction the sum of one hundred sixty-two million four hundred thousand dollars (\$162,400,000) for the 2007-2008 fiscal year to fully fund increases in average daily membership in public schools, subject to adjustment by the General Assembly.

## **PART IX. EXTEND SUNSET ON ADDITIONAL ONE-QUARTER CENT STATE SALES AND USE TAX RATE**

**SECTION 9.(a)** Section 24.1(j) of S.L. 2006-66 reads as rewritten:

"**SECTION 24.1.(j)** Subsection (b) of this section becomes effective December 1, 2006, and applies to sales made on or after that date. Subsections (d), (f), and (h) of this section become effective January 1, 2007, and apply to taxes collected on or after that date. Subsection (c) of this section becomes effective ~~July 1, 2007~~, August 1, 2007, and applies to sales made on or after that date. Subsections (e), (g), and (i) of this section

become effective ~~July 1, 2007, August 1, 2007,~~ and apply to taxes collected on or after that date. The remainder of this section is effective when it becomes law."

**SECTION 9.(b)** A retailer is not liable for an over-collection or under-collection of sales tax if the retailer has made a good faith effort to comply with the law and collect the proper amount of tax and has, due to the change under this section in the rate of tax imposed under G.S. 105-164.4(a), over-collected or under-collected the amount of sales tax that is due. This subsection applies only to the period beginning July 1, 2007, and ending August 1, 2007.

**PART X. DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE RECOVERY PLAN**

**SECTION 10.** Section 10.21C(c) of S.L. 2005-276, as amended by Section 16 of S.L. 2005-345, and as further amended by Section 10.9B of S.L. 2006-66, reads as rewritten:

"**SECTION 10.21C.(c)** This section becomes effective ~~July 1, 2007, August 1, 2007,~~ and applies to recipients of medical assistance on ~~or~~ and after that date."

**PART XI. EFFECTIVE DATE**

**SECTION 11.** Section 10 of this act becomes effective June 30, 2007. Sections 1, 2, 3, and 4 of this act become effective July 1, 2007, and expire at 11:59 P.M. on July 31, 2007. The remainder of this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 29<sup>th</sup> day of June, 2007.

s/ Marc Basnight  
President Pro Tempore of the Senate

s/ Joe Hackney  
Speaker of the House of Representatives

s/ Michael F. Easley  
Governor

Approved 2:12 p.m. this 29<sup>th</sup> day of June, 2007