

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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**HOUSE BILL 2436*
Committee Substitute Favorable 6/3/08**

Short Title: Modify Appropriations Act of 2007.

(Public)

Sponsors:

Referred to:

May 26, 2008

A BILL TO BE ENTITLED

1 AN ACT TO MODIFY THE CURRENT OPERATIONS AND CAPITAL
2 APPROPRIATIONS ACT OF 2007; TO CONFORM TO CHANGES IN THE
3 INTERNAL REVENUE CODE AND REQUIRE AN ADDBACK OF EIGHTY-
4 FIVE PERCENT OF BONUS DEPRECIATION; TO MAKE OTHER TAX LAW
5 CHANGES RECOMMENDED BY THE REVENUE LAWS STUDY
6 COMMITTEE; TO PROVIDE FOR A REFUNDABLE EARNED INCOME TAX
7 CREDIT EQUAL TO FIVE PERCENT OF THE FEDERAL CREDIT; TO
8 EXTEND AND INCREASE THE SMALL BUSINESS HEALTH INSURANCE
9 TAX CREDIT; TO DECREASE DISABLED VETERANS PROPERTY TAX; TO
10 EXTEND TAX CREDITS FOR LOW-INCOME HOUSING AND MILL
11 REHABILITATION; TO ESTABLISH A SALES TAX HOLIDAY FOR CERTAIN
12 ENERGY STAR RATED APPLIANCES; TO CREATE, SET, AND INCREASE
13 VARIOUS FEES; AND TO AUTHORIZE SPECIAL OBLIGATION
14 INDEBTEDNESS FOR VARIOUS CAPITAL PROJECTS.
15

16 The General Assembly of North Carolina enacts:

17
18 **PART I. INTRODUCTION AND TITLE OF ACT**

19
20 **INTRODUCTION**

21 **SECTION 1.1.** The appropriations made in this act are for maximum
22 amounts necessary to provide the services and accomplish the purposes described in the
23 budget. Savings shall be effected where the total amounts appropriated are not required
24 to perform these services and accomplish these purposes and, except as allowed by the
25 State Budget Act, or this act, the savings shall revert to the appropriate fund at the end
26 of each fiscal year as provided in G.S. 143C-1-2(b).

27
28 **TITLE**

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

3
4 **PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

5
6 **CURRENT OPERATIONS AND EXPANSION/GENERAL FUND**

7 **SECTION 2.1.** Appropriations from the General Fund of the State for the
8 maintenance of the State departments, institutions, and agencies, and for other purposes
9 as enumerated, are adjusted for the fiscal year ending June 30, 2009, according to the
10 schedule that follows. Amounts set out in brackets are reductions from General Fund
11 appropriations for the 2008-2009 fiscal year.

12
13 **Current Operations – General Fund** **FY 2008-2009**

14
15 **EDUCATION**

16		
17	Community Colleges System Office	\$ 33,174,698
18		
19	Department of Public Instruction	99,492,379
20		
21	University of North Carolina System	
22	Appalachian State University	(599,584)
23	East Carolina University	
24	Academic Affairs	1,150,024
25	Health Affairs	
26	Elizabeth City State University	(35,213)
27	Fayetteville State University	(351,369)
28	NC Agricultural and Technical University	(543,155)
29	North Carolina Central University	(176,670)
30	North Carolina School of the Arts	(312,634)
31	North Carolina State University	
32	Academic Affairs	(1,638,163)
33	Agricultural Extension	(85,900)
34	Agricultural Research	(1,321,250)
35	University of North Carolina at Asheville	(610,621)
36	University of North Carolina at Chapel Hill	
37	Academic Affairs	(1,236,446)
38	Health Affairs	(977,373)
39	Area Health Education Centers	
40	University of North Carolina at Charlotte	(1,211,256)
41	University of North Carolina at Greensboro	(102,626)
42	University of North Carolina at Pembroke	(596,283)
43	University of North Carolina at Wilmington	(972,635)
44	Western Carolina University	(339,745)

1	Winston-Salem State University	(68,787)
2	General Administration	(406,601)
3	University Institutional Programs	38,112,369
4	Related Educational Programs	(51,215,000)
5	North Carolina School of Science and Mathematics	(93,693)
6	UNC Hospitals at Chapel Hill	<u>0</u>
7	Total University of North Carolina Board of Governors	\$ (23,632,611)

HEALTH AND HUMAN SERVICES

11	Department of Health and Human Services	
12	Central Management and Support	\$ (8,759,966)
13	Division of Aging	2,500,000
14	Division of Blind Services/Deaf/HH	75,000
15	Division of Child Development	(6,102,422)
16	Division of Education Services	698,940
17	Division of Facility Services	822,028
18	Division of Medical Assistance	(200,308,334)
19	Division of Mental Health	27,189,093
20	NC Health Choice	11,033,268
21	Division of Public Health	5,886,911
22	Division of Social Services	1,734,698
23	Division of Vocation Rehabilitation	<u>(2,000,000)</u>
24	Total Health and Human Services	\$ (167,230,784)

NATURAL AND ECONOMIC RESOURCES

28	Department of Agriculture and Consumer Services	\$ 5,010,589
30	Department of Commerce	
31	Commerce	9,349,970
32	Commerce State-Aid	7,639,635
33	NC Biotechnology Center	(155,834)
34	Rural Economic Development Center	59,756,974
36	Department of Environment and Natural Resources	
37	Environment and Natural Resources	13,117,510
38	Clean Water Management Trust Fund	0
40	Department of Labor	770,885

JUSTICE AND PUBLIC SAFETY

44	Department of Correction	\$ 747,470
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1		
2	Department of Crime Control and Public Safety	2,980,175
3		
4	Judicial Department	(3,630,656)
5	Judicial Department – Indigent Defense	1,000,000
6		
7	Department of Justice	(601,079)
8		
9	Department of Juvenile Justice and Delinquency Prevention	21,068,601
10		
11	GENERAL GOVERNMENT	
12		
13	Department of Administration	\$ 1,306,562
14		
15	Office of Administrative Hearings	313,544
16		
17	Department of State Auditor	(283,938)
18		
19	Office of State Controller	(110,940)
20		
21	Department of Cultural Resources	
22	Cultural Resources	1,865,579
23	Roanoke Island Commission	(15,000)
24		
25	State Board of Elections	261,583
26		
27	General Assembly	(636,000)
28		
29	Office of the Governor	
30	Office of the Governor	(355,119)
31	Office of State Budget and Management	15,242
32	OSBM – Reserve for Special Appropriations	1,300,000
33	Housing Finance Agency	12,000,000
34		
35	Department of Insurance	
36	Insurance	328,080
37	Insurance – Volunteer Safety Workers' Compensation	(1,000,000)
38		
39	Office of Lieutenant Governor	0
40		
41	Department of Revenue	(1,415,864)
42		
43	Department of Secretary of State	132,056
44		

1	Department of State Treasurer	
2	State Treasurer	0
3	State Treasurer – Retirement for Fire and Rescue Squad Workers	0
4		
5	RESERVES, ADJUSTMENTS AND DEBT SERVICE	
6		
7	Compensation Increases	\$ 366,494,351
8	Salary Adjustment Fund 2007-2009 Biennium	0
9	Teachers' & State Employees' Retirement Contributions	30,237,400
10	State Health Plan	(5,000,000)
11	Reserve for Eliminated Positions	0
12	No Penalty for Teachers Taking Personal Leave Day	5,000,000
13	Contingency and Emergency Fund	0
14	Information Technology Fund	0
15	Job Development Incentive Grants Reserve	22,700,000
16	North Carolina Master Address Dataset	1,000,000
17	Pending Gang Prevention Legislation (HB 274)	10,000,000
18	Debt Service	
19	General Debt Service	(17,500,000)
20	Federal Reimbursement	0
21		
22	TOTAL CURRENT OPERATIONS – GENERAL FUND	\$ 485,495,458
23		
24	GENERAL FUND AVAILABILITY STATEMENT	
25	SECTION 2.2.(a) Section 2.2.(a) of S.L. 2007-323 is repealed. The General	
26	Fund availability used in adjusting the 2008-2009 budget is shown below:	
27		
28		FY 2008-2009
29	Unappropriated Balance from FY 2007-2008, S.L. 2007-323	\$ 270,504,098
30	Net Adjustment – S.L. 2007-540	(1,000,000)
31	Adjustment from Estimated to Actual 2007-2008	
32	Beginning Unreserved Balance	47,867,864
33	Projected Reversions from FY 2007-2008	150,000,000
34	Projected Overcollections from FY 2007-2008	151,500,000
35	Less Earmarkings of Year End Fund Balance	
36	Credit to Savings Reserve	(62,224,083)
37	Credit to Repairs and Renovation Reserve Account	(65,000,000)
38	Beginning Unreserved Fund Balance	\$ 491,647,879
39		
40	Revenues Based on Existing Tax Structure	\$ 19,903,800,000
41		
42	Nontax Revenues	
43	Investment Income	\$ 247,300,000
44	Judicial Fees	204,800,000

1	Disproportionate Share	100,000,000
2	Insurance	160,600,000
3	Other Nontax Revenues	62,900,000
4	Highway Trust Fund Transfer	172,500,000
5	Highway Fund Transfer	17,600,000
6	Subtotal Nontax Revenues	\$ 965,700,000
7		
8	Total General Fund Availability	\$ 21,361,147,879
9		
10	Adjustments to Availability: 2008 Session	
11	Extend Sunset for State Ports Tax Credit	\$ (1,000,000)
12	Extend Credit for Research & Development	(1,000,000)
13	Sales Tax Exemption for American Red Cross	(500,000)
14	Sales Tax Holiday for Energy Efficient Products	(1,200,000)
15	Extend Sunset for Small Business Employee Health	
16	Benefits Tax Credit	(8,500,000)
17	Increase Tax Credit for Small Business Employee	
18	Health Benefits	(1,600,000)
19	Increase Earned Income Tax Credit to 5%	(20,600,000)
20	Provide Property Tax Homestead Exemption	
21	for Military/Disabled Veterans	(8,600,000)
22	Reserve for Tax Relief	(7,000,000)
23	Health Care Facility Construction Project Fee	
24	Service Regulation Fee Increase	822,028
25	Adjust Securities Filing Fee	1,993,500
26	Reduce Transfer from Highway Trust Fund	(25,000,000)
27	Transfer from Disaster Relief Reserve	21,000,000
28	Transfer from NC Rx Fund Balance	3,500,000
29	Transfer from Tobacco Trust Fund	5,000,000
30	Transfer from Health & Wellness Trust Fund	5,000,000
31	Transfer from Coaching Scholarship Loan Fund	267,000
32	Transfer from Principal Fellows Trust Fund	1,000,000
33	Transfer from NC Community College System	
34	Computer Information System Fund Balance	4,500,000
35	Transfer from Focused Industrial Training Fund Balance	783,246
36	Transfer from Nontax-Disproportionate Share Account	19,300,000
37	Adjust Transfer from Insurance Regulatory Fund	328,080
38	Subtotal Adjustments to Availability: 2008 Session	\$ (11,506,146)
39		
40	Revised General Fund Availability for 2008-2009 Fiscal Year	\$ 21,349,641,733
41		
42	Total General Fund Appropriations for 2008-2009 Fiscal Year	\$ (21,349,641,733)
43		
44	Unappropriated Balance Remaining	\$ 0

1
2 **SECTION 2.2.(b)** Notwithstanding the provisions of G.S. 143C-4-3, the
3 State Controller shall transfer sixty-five million dollars (\$65,000,000) from the
4 unreserved fund balance to the Repairs and Renovations Reserve Account on June 30,
5 2008. This subsection becomes effective June 30, 2008.

6 **SECTION 2.2. (c)** Funds transferred under this section to the Repairs and
7 Renovations Reserve Account are appropriated for the 2008-2009 fiscal year to be used
8 in accordance with G.S. 143C-4-3.

9 **SECTION 2.2.(c1)** Notwithstanding G.S. 143C-4-2, the State Controller
10 shall transfer only sixty-two million two hundred twenty-four thousand eighty-three
11 dollars (\$62,224,083) from the unreserved fund balance to the Savings Reserve Account
12 on June 30, 2008. This is not an "appropriation made by law", as that phrase is used in
13 Article V, Section 7(1) of the North Carolina Constitution. This subsection becomes
14 effective June 30, 2008.

15 **SECTION 2.2.(d)** Seciton 2.2.(d) of S.L. 2007-323 reads as rewritten.

16 **"SECTION 2.2.(d)** Notwithstanding the provisions of G.S. 105-187.9(b)(1), the
17 sum to be transferred under that subdivision for the 2007-2008 fiscal year is one
18 hundred seventy million dollars (\$170,000,000) and for the 2008-2009 fiscal year is ~~one~~
19 ~~hundred seventy million dollars (\$170,000,000).~~ one hundred forty-five million dollars
20 (\$145,000,000)."

21 **SECTION 2.2.(e)** Notwithstanding G.S. 143C-9-3, of the funds credited to
22 the Tobacco Trust, the sum of five million dollars (\$5,000,000) shall be transferred from
23 the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco
24 Trust Fund), to the State Controller to be deposited in Nontax Budget Code 19978 (Intra
25 State Transfers) to support General Fund appropriations for the 2008-2009 fiscal year.

26 **SECTION 2.2.(f)** Notwithstanding G.S. 143C-9-3, of the funds credited to
27 the Health Trust Account, the sum of five million dollars (\$5,000,000) that would
28 otherwise be deposited in the Fund Reserve shall be transferred from the Department of
29 State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund), to the State
30 Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to
31 support General Fund appropriations for the 2008-2009 fiscal year.

32 **SECTION 2.2.(g)** On July 1, 2008, the State Controller shall transfer
33 twenty-one million dollars (\$21,000,000) from the Disaster Reserve Fund, to Nontax
34 Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for
35 the 2008-2009 fiscal year.

36 **SECTION 2.2.(h)** On July 1, 2008, the State Controller shall transfer
37 nineteen million three hundred thousand dollars (\$19,300,000) from the
38 Disproportionate Share Receipt Reserve, to Nontax Budget Code 19978 (Intra State
39 Transfers) to support General Fund appropriations for the 2008-2009 fiscal year.

40 **SECTION 2.2.(i)** Transfers of additional availability in the amount of ten
41 million fifty thousand two hundred forty-six dollars (\$10,050,246) are made to the
42 General Fund pursuant to Sections 8.9, 9.1, 9.4, and 10.1 of this act.

43
44 **PART III. CURRENT OPERATIONS/HIGHWAY FUND**

1		
2	CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND	
3	SECTION 3.1. Appropriations from the State Highway Fund for the	
4	maintenance and operation of the Department of Transportation and for other purposes	
5	as enumerated are adjusted for the fiscal year ending June 30, 2009, according to the	
6	following schedule. Amounts set out in brackets are reductions from Highway Fund	
7	Appropriations for the 2008-2009 fiscal year.	
8		2008-2009
9	Department of Transportation	
10	Administration	(9,583,308)
11		
12	Repairs and Renovations	14,334,221
13		
14	Division of Highways	
15	Administration	0
16	Construction	1,807,592
17	Maintenance	19,342,804
18	Planning and Research	0
19	OSHA Program	0
20		
21	Ferry Operations	1,000,000
22		
23	Public Transportation	0
24		
25	Airports	0
26		
27	Railroads	1,000,000
28		
29	Governor's Highway Safety Program	0
30		
31	Division of Motor Vehicles	195,266
32		
33	State Aid to Municipalities	1,807,592
34		
35	Transfers to Other State Agencies	431,491
36		
37	Reserve for Compensation Increases	14,762,342
38		
39	Reserve for Teachers' and State Employees' Retirement Contributions	1,462,000
40		
41	TOTAL	\$46,560,000
42		
43	HIGHWAY FUND AVAILABILITY STATEMENT	

1 **SECTION 3.2.** Section 3.2 of S.L. 2007-323 is repealed. The Highway Fund
2 availability used in adjusting the 2008-2009 fiscal year budget is shown below:

3		
4	Highway Fund Availability Statement	2008-2009
5		
6	Unappropriated Balance From Previous Year	0
7	Beginning Fund Balance	35,000,000
8	Estimated Revenue	1,822,550,000
9	Total Highway Fund Availability	\$1,857,550,000

10

11 **PART IV HIGHWAY TRUST FUND APPROPRIATIONS**

12

13 **HIGHWAY TRUST FUND**

14 **SECTION 4.1.** Appropriations from the State Highway Trust Fund for the
15 maintenance and operation of the Department of Transportation and for other purposes
16 as enumerated are adjusted for the fiscal year ending June 30, 2009, according to the
17 following schedule. Amounts set out in brackets are reductions from Highway Trust
18 Fund Appropriations for the 2008-2009 fiscal year.

19		
20	Current Operations – Highway Trust Fund	2008-2009
21		
22	Intrastate System	(40,691,943)
23	Urban Loops	(16,454,126)
24	Aid to Municipalities	(4,269,533)
25	Secondary Roads	(7,687,965)
26	Program Administration	3,627,360
27	Transfer to General Fund	(25,143,793)
28	North Carolina Turnpike Authority	25,000,000
29		
30	Total	(\$65,620,000)

31

32 **HIGHWAY TRUST FUND AVAILABILITY STATEMENT**

33 **SECTION 4.2.** Section 4.2 of S.L. 2007-323 is repealed. The Highway Trust
34 Fund availability used in adjusting the 2008-2009 fiscal year budget is shown below:

35		
36	Highway Trust Fund Availability	\$1,073,160,000

37

38 **PART V. OTHER AVAILABILITY AND APPROPRIATIONS**

39

40 **CIVIL PENALTIES AND FORFEITURES/FUND AVAILABILITY AND**

41 **APPROPRIATION**

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

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

	FY 2007-2008	\$63,000,000	FY 2008-2009
Department of Revenue	\$63,000,000	\$63,000,000	<u>\$85,200,000</u>
Department of Transportation	\$15,000,000	\$15,000,000	<u>\$22,000,000</u>
Employment Security Commission	\$ 3,000,000	\$3,000,000	<u>\$4,200,000</u>
Department of Insurance	\$ 1,000,000	\$1,000,000	<u>\$600,000</u>
University of North Carolina	\$ 3,500,000	\$3,500,000	<u>\$3,600,000</u>
Other Agencies	\$10,000,000	\$10,000,000	<u>\$10,900,000</u>
Total Funds Available	\$95,500,000	\$95,500,000	<u>\$126,500,000"</u>

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

"SECTION 5.1.(b) Appropriations. – Appropriations are made from the Civil Penalty and Forfeiture Fund for the fiscal ~~biennium~~-year ending June 30, 2009, as follows:

	FY 2007-2008	\$18,000,000	FY 2008-2009
School Technology Fund	\$18,000,000	\$18,000,000	
State Public School Fund	\$77,500,000	\$77,500,000	<u>\$108,500,000</u>
Total Appropriation	\$95,500,000	\$95,500,000	<u>\$126,500,000"</u>

EDUCATION LOTTERY

SECTION 5.2.(a) Pursuant to G.S. 18C-164, the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of three hundred eighty-five million five hundred thousand dollars (\$385,500,000) for the 2008-2009 fiscal year.

SECTION 5.2.(b) Notwithstanding G.S. 18C-164(b), funds in the amount of forty-one million thirty thousand two hundred twelve dollars (\$41,030,212) shall be transferred from the Education Lottery Reserve Fund to the Education Lottery Fund to support appropriations made in this act. Of these funds, nineteen million seven hundred fifty thousand dollars (\$19,750,000) shall be allocated for class size reduction and twenty-one million two hundred eighty thousand two hundred twelve dollars (\$21,280,212) shall be allocated to the Public School Building Capital Fund for the 2008-2009 fiscal year. Any unexpended funds not needed for these purposes shall be transferred back to the Education Lottery Reserve Fund at the end of the 2008-2009 fiscal year.

SECTION 5.2.(c) Notwithstanding G.S. 18C-164(d), the appropriations made from the Education Lottery Fund for the 2008-2009 fiscal year are as follows:

(1) Class Size Reduction	\$127,864,291
(2) Prekindergarten Program	84,635,709
(3) Public School Building Capital Fund	175,480,212
(4) Scholarships for Needy Students	38,550,000
Total	\$426,780,212

1 **INFORMATION TECHNOLOGY FUND AVAILABILITY AND**
 2 **APPROPRIATION**

3 **SECTION 5.3.** Section 5.3 of S.L. 2007-323 reads as rewritten:

4 **"SECTION 5.3.(a)** The availability used to support appropriations made in this act
 5 from the Information Technology Fund established in G.S. 147-33.72H is as follows:

	FY 2007-2008	FY 2008-2009
8 Receipts from Information		
9 Technology Enterprise Fee	\$9,800,000	\$9,800,000
11 BEACON/Data Integration Funds	\$5,000,000	\$5,000,000
13 Interest Income	\$100,000	\$100,000
15 IT Fund Balance June 30	\$600,000	\$690,000
17 Appropriation from General Fund	\$4,140,000	\$2,840,000
19 <u>Receipts for ESRI</u>	<u>0</u>	<u>\$600,000</u>
21 <u>Reversions</u>	<u>0</u>	<u>\$200,000</u>
23 Total Funds Available	\$19,640,000	\$18,430,000
		<u>\$19,230,000</u>

26 **SECTION 5.3.(b)** Appropriations are made from the Information Technology Fund
 27 for the 2007-2009 fiscal biennium as follows:

Office of Information Technology Services	FY 2007-2008	FY 2008-2009
31 Information Technology Operations	\$9,452,835	\$8,152,835
		<u>\$9,451,778</u>
33 Information Technology Projects	\$4,497,165	\$4,497,165
		<u>\$4,129,362</u>
35 BEACON/Data Integration Funds	\$5,000,000	\$5,000,000
37 Total	\$18,950,000	\$17,650,000
		<u>\$18,581,140</u>

40 **SECTION 5.3.(c)** State agencies supported by the ESRI licenses shall be billed for
 41 a proportionate share of the cost to provide the Office of Information Technology
 42 Services with the funding necessary to pay for enterprise licenses.

43 **SECTION 5.3.(d)** The State shall not enter into any information technology
 44 enterprise agreements without obtaining written agreements from State agencies. State

1 agencies agreeing to participate must ensure that sufficient funds are budgeted to
2 support their shares of enterprise agreements throughout the life of the contract and
3 must transfer the required funding to the Office of Information Technology Services in
4 sufficient time to meet contract requirements."

6 PART VI. GENERAL PROVISIONS

8 APPROPRIATION OF CASH BALANCES

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

10 "SECTION 6.1.(a) Expenditures of cash balances, federal funds, departmental
11 receipts, grants, and gifts from the various General Fund, Special Revenue Fund,
12 Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes
13 State funds, as defined in G.S. 143C-1-1(d)(25), are appropriated and authorized as provided
14 in G.S. 143C-1-2 for the 2007-2009 fiscal biennium as follows:

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

23 (1a) For all budget codes listed in the "Governor's Recommended Budget
24 for Governmental and Proprietary Funds and Selected Component
25 Units 2008-2009" but not covered by subdivisions (2) and (3) of this
26 subsection, as adjusted by the General Assembly in this act.

27 (2) For all budget codes that are not listed in "North Carolina State
28 Budget, Recommended Operating Budget 2007-2009, Volumes 1
29 through 6," cash balances and receipts are appropriated for each year
30 of the 2007-2009 fiscal biennium up to the level of actual expenditures
31 for the 2006-2007 fiscal year, unless otherwise provided by law. Funds
32 may be expended only for the programs, purposes, objects, and line
33 items authorized for the 2006-2007 fiscal year.

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

40 (4) Notwithstanding subdivisions (1) and (2) of this subsection, cash
41 balances and receipts of funds that meet the definition issued by the
42 Governmental Accounting Standards Board of a trust or agency fund
43 are appropriated for and in the amounts required to meet the legal

1 requirements of the trust agreement for the 2007-2008 fiscal year and
2 the 2008-2009 fiscal year.

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

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

11 Overrealized receipts are appropriated up to the amounts necessary to implement
12 this subsection.

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

20 **SECTION 6.1.(c)** Notwithstanding subsections (a) and (b) of this section, there is
21 appropriated from the Reserve for Reimbursements to Local Governments and Shared
22 Tax Revenues for each fiscal year an amount equal to the amount of the distributions
23 required by law to be made from that reserve for that fiscal year."
24

25 **EXPENDITURES OF FUNDS IN RESERVES LIMITED**

26 **SECTION 6.2.** All funds appropriated by this act into reserves may be
27 expended only for the purposes for which the reserves were established.
28

29 **BUDGET CODE CONSOLIDATIONS**

30 **SECTION 6.3.** Notwithstanding G.S. 143C-6-4, the Office of State Budget
31 and Management may adjust the enacted budget by making transfers among purposes or
32 programs for the purpose of consolidating budget and fund codes or eliminating inactive
33 budget and fund codes. The Office of State Budget and Management shall change the
34 authorized budget to reflect these adjustments.
35

36 **CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR** 37 **INCREASING FEES PURSUANT TO THE STATE BUDGET ACT**

38 **SECTION 6.4.** Notwithstanding G.S. 12-3.1, an agency is not required to
39 consult with the Joint Legislative Commission on Governmental Operations prior to
40 establishing or increasing a fee as authorized or anticipated in this act.
41

42 **STUDY OF LAPSED SALARY USE**

43 **SECTION 6.5.** Section 6.18(b) of S.L. 2007-323 reads as rewritten:

1 "**SECTION 6.18.(b)** The Office of State Budget and Management shall report its
2 ~~findings~~ findings, including an estimate of the total amount of lapsed salaries by each
3 State agency, to the Joint Legislative Commission on Governmental Operations by
4 ~~April 30, 2008.~~February 1, 2009."

6 **AUTHORIZATION TO ESTABLISH RECEIPT-SUPPORTED POSITIONS**

7 **SECTION 6.6.** Notwithstanding any other provision of law, a department,
8 institution, or other agency of State government may establish receipt-supported
9 positions authorized in this act upon approval by the Director of the Budget. The
10 Director, if necessary, may establish a receipt-supported position pursuant to this
11 section at an annual salary amount different from the salary amount set out in this act if
12 (i) funds are available from the proposed funding source and (ii) the alternative salary
13 amount remains within the established salary range grade identified for the job
14 classification of the affected receipt-supported position established in this act. The
15 Director shall not change the job classifications or increase the number of
16 receipt-supported positions specified in this act without prior consultation with the Joint
17 Legislative Commission on Governmental Operations.

18 **CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND** 19 **DIVISIONS**

20 **SECTION 6.7.(a)** It is the intent of the General Assembly to establish a
21 process to periodically and systematically review the funds, agencies, divisions, and
22 programs financed by State government. This process shall be known as the
23 Continuation Review Program. The Continuation Review Program is intended to assist
24 the General Assembly in determining whether to continue, reduce, or eliminate funding
25 for the State's funds, agencies, divisions, and programs subject to continuation review.

26 **SECTION 6.7.(b)** The Appropriations Committees of the House of
27 Representatives and the Senate may direct State departments and agencies to conduct
28 continuation reviews as described in subsection (c) of this section. The Fiscal Research
29 Division may issue instructions to the State departments and agencies subject to
30 continuation review regarding the expected content and format of the reports required
31 by this section. No later than December 1, 2008, the following agencies shall report to
32 the Fiscal Research Division:

- 33 (1) Tarheel Challenge – Department of Crime Control and Public Safety.
- 34 (2) Leaking Underground Storage Tank Fund – Department of
35 Transportation.
- 36 (3) Safety Inspection Program – Department of Commerce.
- 37 (4) North Carolina Center for Textile Technology – Community College
38 System.
- 39 (5) Adolescent Pregnancy Prevention Programs – Department of Health
40 and Human Services.
- 41 (6) Parking Office – Department of Administration.

42 **SECTION 6.7.(c)** The continuation review reports required in this section
43 shall include the following information:
44

- 1 (1) A description of the fund, agency, division, or program mission, goals,
2 and objectives.
- 3 (2) The statutory objectives for the fund, agency, division, or program and
4 the problem or need addressed.
- 5 (3) The extent to which the fund, agency, division, or program's objectives
6 have been achieved.
- 7 (4) The fund, agency, division, or program's functions or programs
8 performed without specific statutory authority.
- 9 (5) The performance measures for each fund, agency, division, or program
10 and the process by which the performance measures determine
11 efficiency and effectiveness.
- 12 (6) Recommendations for statutory, budgetary, or administrative changes
13 needed to improve efficiency and effectiveness of services delivered to
14 the public.
- 15 (7) The consequences of discontinuing funding.
- 16 (8) Recommendations for improving services or reducing costs or
17 duplication.
- 18 (9) The identification of policy issues that should be brought to the
19 attention of the General Assembly.
- 20 (10) Other information necessary to fully support the General Assembly's
21 Continuation Review Program along with any information included in
22 instructions from the Fiscal Research Division.

23 **SECTION 6.7.(d)** State departments and agencies identified in subsection
24 (b) of this section shall submit a final report to the General Assembly by March 1, 2009.
25

26 **STATE SUPPORT OF OUR MILITARY PERSONNEL**

27 **SECTION 6.8.** The General Assembly finds that North Carolina has a rich
28 military heritage and is the site of some of the nation's major military installations,
29 including Camp Lejeune, Fort Bragg, Pope Air Force Base, Seymour Johnson Air Force
30 Base, New River Marine Corps Air Station, United States Coast Guard Air Station,
31 Elizabeth City, and Cherry Point Marine Corps Air Station. The General Assembly
32 further finds that North Carolina is the home to more than 770,000 veterans of our
33 nation's armed forces and about 120,000 active-duty military personnel, one of the
34 largest active-duty military populations in our entire country. In appreciation of and
35 gratitude to those North Carolinians, both living and deceased, who have served in our
36 armed forces in service to our country, the General Assembly provides funding for and
37 support of the following initiatives:

- 38 (1) Defense and Security Technology Accelerator.
- 39 (2) Military Morale, Welfare, and Recreation Fund.
- 40 (3) "More at Four" for children of deployed military personnel.
- 41 (4) Traumatic Brain Injury (TBI) Services.
- 42 (5) Fayetteville Tech 3-D Technology Project.
- 43 (6) National Guard Pension Fund.
- 44 (7) National Guard Tuition Assistance Program.

- 1 (8) National Guard Armory Rehabilitations.
2 (9) Master Planning for Future Armory Needs.
3 (10) Land Buffers and Latrines for Camp Butner.
4

FEDERAL AND OTHER RECEIPTS FROM PENDING GRANT AWARDS

5 **SECTION 6.9.** Notwithstanding G.S. 143C-6-4, State agencies may, with
6 approval of the Director of the Budget, spend funds received from grants awarded
7 subsequent to the enactment of this act, provided the applications for the grants were
8 made prior to May 14, 2008. The Office of State Budget and Management shall work
9 with the recipient State agencies to budget grants award according to the annual
10 program needs and within the parameters of the respective granting entities. Depending
11 on the nature of the award, additional State personnel may be employed on a permanent
12 or time-limited basis. The Office of State Budget and Management shall consult with
13 the Joint Legislative Commission on Governmental Operations prior to expending any
14 funds received from grant awards. Funds received from such grants are hereby
15 appropriated and shall be incorporated into the certified budget of the recipient State
16 agency.
17

IMPROVE DISASTER RECOVERY AND BUSINESS CONTINUITY

18
19 **SECTION 6.10.(a)** The State Chief Information Officer (CIO) shall utilize
20 the business and disaster recovery plans submitted under G.S. 147-33.89 and any other
21 information at the CIO's disposal to determine whether State agencies have made
22 adequate preparations for backing up critical applications.
23

24 **SECTION 6.10.(b)** In cases where backup is not sufficient to minimize any
25 disruptions in critical state services caused by natural or man-made disasters, the State
26 CIO, in conjunction with the agencies and the Office of State Budget and Management,
27 shall develop plans to utilize the Western Data Center for providing backup.
28

29 **SECTION 6.10.(c)** By December 1, 2008, the State CIO shall report to the
30 Joint Legislative Oversight Committee on Information Technology on the number of
31 critical State applications without adequate backup, the State agencies utilizing the
32 applications, and the plans for providing adequate backup.
33

34 **SECTION 6.10.(d)** This section does not apply to the General Assembly, to
35 the Judicial Department, or to The University of North Carolina and its constituent
36 institutions.
37

MULTIYEAR CONTRACTS FOR INFORMATION TECHNOLOGY

38 **SECTION 6.11.(a)** Notwithstanding the cash management provisions of
39 G.S. 147-86.11, the Office of Information Technology Services (ITS) may procure
40 information technology goods and services for periods not exceeding three years where
41 the terms require payment of all or a portion of the purchase price at the beginning of
42 the agreement. All of the following conditions must be met before payment for these
43 agreements may be disbursed:

- (1) Any advance payment complies with the ITS budget.

1 (2) The State Controller receives conclusive evidence that the proposed
2 agreement would be more cost-effective than a multiyear agreement
3 that complies with G.S. 147-86.11.

4 (3) The procurement complies in all other respects with applicable statutes
5 and rules.

6 (4) The proposed agreement contains contract terms that protect the
7 financial interests of the State against contractor nonperformance or
8 insolvency through the creation of escrow accounts for funds, source
9 codes, or both, or by other reasonable means that have legally binding
10 effect.

11 (5) Participating State agencies shall agree in writing to provide their
12 proportionate share of funding over the term of the multi-year contract.

13 **SECTION 6.11.(b)** The Office of State Budget and Management (OSBM)
14 shall ensure that the savings from any authorized agreement will be included in the ITS
15 calculation of rates before OSBM annually approves the proposed rates.

16 **SECTION 6.11.(c)** The Office of Information Technology shall report to the
17 Office of State Budget and Management on any State agency budget impacts resulting
18 from the multiyear contracts.

19 **SECTION 6.11.(d)** By January 1, 2009, then quarterly thereafter, the Office
20 of Information Technology Services shall submit a written report of any authorizations
21 granted under this section to the Joint Legislative Oversight Committee on Information
22 Technology and to the Fiscal Research Division.

23 **DOCUMENT MANAGEMENT/DIGITAL SIGNATURE PILOT**

24 **SECTION 6.12.(a)** Funds. – Of the funds appropriated to the Office of
25 Information Technology Services (ITS) for the 2008-2009 fiscal year, the sum of two
26 hundred thousand dollars (\$200,000) shall be used to pilot a Statewide electronic
27 document management system that will include a digital signature capability. ITS shall
28 identify a State agency for the pilot, which shall develop the following program
29 requirements:
30

31 (1) Creation of a uniform and consistent set of policies and procedures for
32 managing and preserving electronic records through their life cycle in
33 an efficient, effective, and economical manner.

34 (2) Development, establishment, and promotion of Statewide electronic
35 records management training and certification programs.

36 (3) Promotion of the use of public records in digital format.

37 (4) Development of statewide procurement standards for the electronic
38 records infrastructure.

39 (5) Provision of guidance and assistance to all customers on issues relating
40 to public records in digital formats including, but not limited to,
41 e-mail, e-commerce, electronic signature encryption, filings, public
42 Web pages, metadata, and system documentation.

43 **SECTION 6.12.(b)** By April 1, 2009, the Office of Information Technology
44 Services shall submit a written report to the Joint Legislative Oversight Committee on

1 Information Technology and to the Fiscal Research Division on the status and
2 effectiveness of the electronic document management pilot.

3
4 **STATE GEOGRAPHIC INFORMATION/CONSOLIDATION**
5 **IMPLEMENTATION**

6 **SECTION 6.13.** The State Chief Information Officer (SCIO), the Office of
7 State Budget and Management (OSBM), and the Geographic Information Coordinating
8 Council (GICC) shall develop a detailed plan to implement the recommendations
9 contained in the Geographic Information System Study mandated by Section 6.13 of
10 S.L. 2007-323. The implementation plan shall include, at a minimum, details relating to
11 all of the following:

- 12 (1) The current and future costs of unconsolidated State agency GIS
13 efforts and an estimate of savings to be realized by the consolidation of
14 GIS efforts.
- 15 (2) A cost estimate for implementing the consolidation plan, with specific
16 costs associated with each study report recommendation and the
17 amount of any additional funding requirements to accomplish the
18 consolidation and transfer.
- 19 (3) An accounting of funds, furniture, equipment, and other operational
20 resources to be transferred from the Department of Environment and
21 Natural Resources (DENR) to the SCIO to support the Center for
22 Geographic Information and Analysis (CGIA) and the GICC.
- 23 (4) A description of personnel positions to be (i) transferred from DENR
24 to SCIO and the sources and amount of funding associated with each
25 position and (ii) eliminated due to the consolidation, if any.
- 26 (5) Any new positions required and the costs associated with each new
27 position.
- 28 (6) Projects that can be consolidated as part of the plan implementation
29 and the State agencies or contractors, or both, responsible for each of
30 those projects.
- 31 (7) A time line for implementation, including specific benchmarks.

32 By December 1, 2008, this detailed implementation plan shall be submitted to the
33 Chairs of the House and Senate Appropriations Committees and to the Fiscal Research
34 Division of the Legislative Services Office.

35
36 **SINGLE ELECTRONIC MAIL SYSTEM**

37 **SECTION 6.14.(a)** The State Chief Information Officer shall develop a
38 detailed plan for transitioning State agencies, departments, and institutions to a single
39 statewide electronic mail system by January 1, 2010. This plan shall be coordinated
40 with every organization not currently using the Office of Information Technology
41 Services (ITS) electronic mail system and shall specifically address any issues identified
42 by these organizations.

43 **SECTION 6.14.(b)** The plan shall be presented to the State Chief
44 Information Officer and the Joint Legislative Oversight Committee on Information

1 Technology by November 1, 2008, and may be implemented after consultation with the
2 Committee.

3 **SECTION 6.14.(c)** In preparing the Governor's proposed budget for
4 2009-2011, OSBM may utilize the plan required under subsection (b) of this section.

5 **SECTION 6.14.(d)** This provision shall not apply to the General Assembly,
6 the Judicial Department, or The University of North Carolina and its constituent
7 institutions. These agencies may utilize the electronic mail service operated by the
8 Office in accordance with the statutes, policies, and rules of the Office.

9
10 **PART VII. PUBLIC SCHOOLS**

11
12 **CHILDREN WITH DISABILITIES**

13 **SECTION 7.1.** The State Board of Education shall allocate funds for
14 children with disabilities on the basis of three thousand three hundred eighty-six dollars
15 and eighty-four cents (\$3,386.84) per child for a maximum of 172,079 children for the
16 2008-2009 school year. Each local school administrative unit shall receive funds for the
17 lesser of (i) all children who are identified as children with disabilities or (ii) twelve and
18 five-tenths percent (12.5%) of the 2008-2009 allocated average daily membership in the
19 local school administrative unit.

20 The dollar amounts allocated under this section for children with disabilities
21 shall also adjust in accordance with legislative salary increments, retirement rate
22 adjustments, and health benefit adjustments for personnel who serve children with
23 disabilities.

24
25 **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

26 **SECTION 7.2.** The State Board of Education shall allocate funds for
27 academically or intellectually gifted children on the basis of one thousand one hundred
28 thirty-seven dollars and nineteen cents (\$1,137.19) per child. A local school
29 administrative unit shall receive funds for a maximum of four percent (4%) of its
30 2008-2009 allocated average daily membership, regardless of the number of children
31 identified as academically or intellectually gifted in the unit. The State Board shall
32 allocate funds for no more than 59,063 children for the 2008-2009 school year.

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

37
38 **FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION**

39 **SECTION 7.3.(a)** The State Board of Education shall use funds
40 appropriated in this act for State Aid to Local School Administrative Units to provide
41 incentive funding for schools that met or exceeded the projected levels of improvement
42 in student performance during the 2007-2008 school year, in accordance with the ABCs
43 of Public Education Program. In accordance with State Board of Education policy:

- 1 (1) Incentive awards in schools that achieve higher than expected
2 improvements may be:
3 a. Up to one thousand five hundred dollars (\$1,500) for each
4 teacher and for certified personnel; and
5 b. Up to five hundred dollars (\$500.00) for each teacher assistant.
6 (2) Incentive awards in schools that meet the expected improvements may
7 be:
8 a. Up to seven hundred fifty dollars (\$750.00) for each teacher and
9 for certified personnel; and
10 b. Up to three hundred seventy-five dollars (\$375.00) for each
11 teacher assistant.

12 **SECTION 7.3.(b)** The State Board of Education may use funds appropriated
13 to the State Public School Fund to implement the consolidated assistance program, as
14 directed in Section 7.6(b) of S.L. 2006-66. The Board shall report to the Joint
15 Legislative Education Oversight Committee by January 15, 2009, on any restructuring
16 of the program pursuant to this section.
17

18 **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

19 **SECTION 7.4.(a)** Section 7.20(d) of S.L. 2007-323 reads as rewritten:

20 **"SECTION 7.20.(d)** The State Board of Education shall implement an allotment
21 formula developed pursuant to Section 7.16(d) of S.L. 2006-66, for funding e-learning,
22 effective in the ~~2008-2009~~2009-2010 fiscal year. NCVPS shall be available at no cost to
23 all students in North Carolina who are enrolled in North Carolina's public schools,
24 Department of Defense schools, and schools operated by the Bureau of Indian Affairs.
25 The Department of Public Instruction shall communicate to local school administrative
26 units all applicable guidelines regarding the enrollment of nonpublic school students in
27 these courses.

28 The State Board of Education shall report to the Joint Legislative Education
29 Oversight Committee and the Fiscal Research Division by December 15, 2008, on its
30 implementation of this section.

31 Funds appropriated for NCVPS shall not revert at the end of the 2007-2008 fiscal
32 year but shall remain available for expenditure in the 2008-2009 fiscal year."

33 **SECTION 7.4.(b)** This section becomes effective June 30, 2008.
34

35 **LEARN AND EARN ONLINE CARRYFORWARD**

36 **SECTION 7.5.(a)** Funds appropriated for Learn and Earn Online that are
37 unexpended or unencumbered at the end of each fiscal year shall not revert, but shall
38 remain available for expenditure.

39 **SECTION 7.5.(b)** This section becomes effective June 30, 2008.
40

41 **SCHOOL CONNECTIVITY INITIATIVE**

42 **SECTION 7.6.(a)** Section 7.28(c) of S.L. 2007-323 reads as rewritten:

43 **"SECTION 7.28.(c)** Funds currently used for the services covered by these new
44 funds shall not be supplanted by this additional funding and shall be used to support

1 instructional technologies and local infrastructure in schools in support of acquisition
2 and delivery of instructional technology resources to the classroom. Any refunds
3 received for services paid with these technology funds shall return to the originating
4 technology fund. Expenditures of existing funds for instructional technologies and local
5 infrastructure shall be reported for each local school administrative unit to the Office of
6 State Budget and Management, the Fiscal Research Division, and the Joint Legislative
7 Education Oversight Committee annually by January 15."

8 **SECTION 7.6.(b)** Up to three hundred thousand dollars (\$300,000) may be
9 transferred to the Friday Institute at North Carolina State University to evaluate the
10 effectiveness of using technology and its impact on 21st Century Teaching and Learning
11 outcomes approved by the State Board of Education. The Friday Institute shall report
12 annually to the State Board of Education on the evaluation results.

13 **SECTION 7.6.(c)** Funds allocated to the School Connectivity Initiative shall
14 carry forward to the next fiscal year until the project is fully implemented by June 30,
15 2010.

16 **SECTION 7.6.(d)** Subsection (c) of this section becomes effective June 30,
17 2008.

18

19 **FUNDS FOR CLASS-SIZE REDUCTION**

20 **SECTION 7.7.** The Governor shall transfer the sum of nineteen million
21 seven hundred fifty thousand dollars (\$19,750,000) from the Education Lottery Reserve
22 Fund to the Education Lottery Fund to fund the class-size reduction by the General
23 Assembly.

24

25 **ALLOTMENT FOR MENTORING SERVICES**

26 **SECTION 7.8.** The State Board of Education shall allot funds for mentoring
27 services to local school administrative units based on the number of employees who (i)
28 are paid with State, federal, or local funds and (ii) are either teachers paid on the first or
29 second steps of the teacher salary schedule or instructional support personnel paid on
30 the first step of the instructional support personnel salary schedule.

31 Local school administrative units shall use these funds to provide mentoring
32 support to eligible employees in accordance with a plan approved by the State Board of
33 Education. The plan shall include information on how all mentors in the local school
34 administrative unit will be adequately trained to provide mentoring support.

35

36 **DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING**

37 **SECTION 7.9.** Section 7.8(c) of S.L. 2007-323 reads as rewritten:

38 **"SECTION 7.8.(c)** Funds appropriated to a local school administrative unit for
39 disadvantaged student supplemental funding shall be allotted based on: (i) the local
40 school administrative unit's eligible DSSF population and (ii) the difference between a
41 teacher-to-student ratio of 1:21 and the following teacher-to-student ratios:

- 42 (1) For counties with wealth greater than ninety percent (90%) of the
43 statewide average, a ratio of 1:20.0;

- 1 (2) For counties with wealth not less than eighty percent (80%) and not
2 greater than ninety percent (90%) of the statewide average, a ratio of
3 1:19.5;
- 4 (3) For counties with wealth less than eighty percent (80%) of the
5 statewide average, a ratio of 1:19.3; and
- 6 (4) For LEAs receiving DSSF funds in 2005-2006, a ratio of 1:16. These
7 LEAs shall receive no less than the DSSF amount allotted in
8 2006-2007.

9 For the purpose of this subsection, wealth shall be calculated under the low-wealth
10 supplemental formula."

11 12 **MODIFY LOW-WEALTH SCHOOL FUNDING FORMULA**

13 **SECTION 7.10.(a)** Local school administrative units shall receive the same
14 amount of funds for the 2008-2009 fiscal year under the low-wealth supplemental
15 formula that they received for the 2007-2008 fiscal year. This amount shall, however,
16 be adjusted to reflect the increases built into the continuation budget.

17 **SECTION 7.10.(b)** The provisions of Section 7.6 of S.L. 2007-323
18 regarding the expenditure of funds shall apply to low-wealth funds received for the
19 2008-2009 fiscal year.

20 21 **ADDITIONAL LOTTERY FUNDS FOR SCHOOL BLDGS**

22 **SECTION 7.11.(a)** Notwithstanding the provisions of G.S. 18C-164(b) and
23 (e), monies in the Education Lottery Reserve Fund shall be transferred to the Public
24 School Building Capital Fund and allocated on the basis of average daily membership to
25 local school administrative units that did not qualify for funding for the 2008-2009
26 fiscal year pursuant to G.S. 115C-546.2(d)(2). The maximum allocation shall be the
27 amount received by other units pursuant to G.S. 115C-546.2(d)(2) on the basis of per
28 average daily membership. Any monies not needed for this purpose shall be transferred
29 back to the Education Lottery Reserve Fund and may be appropriated only as provided
30 in G.S. 18C-164(e).

31 **SECTION 7.11.(b)** This act applies only to funds in the Education Lottery
32 Reserve Fund for the 2008-2009 fiscal year.

33 34 **STUDY OF STUDENTS WITH DISABILITIES**

35 **SECTION 7.12.** The Department of Public Instruction shall analyze the
36 participation of students with disabilities in Learn and Earn Early College High Schools,
37 Redesigned High Schools, the North Carolina Virtual Public School, and North
38 Carolina public high schools that are on block schedules. In conducting its analysis, the
39 Department shall consider enrollment, graduation, and dropout rates for students with
40 disabilities in these different programs. The Department shall report its findings and
41 any recommendations to the Joint Legislative Education Oversight Committee and the
42 Committee on Dropout Prevention by March 15, 2009.

43 44 **FOCUSED ED. REFORM PROG. FUNDS DO NOT REVERT**

1 **SECTION 7.13.(a)** Funds appropriated for the Focused Education Reform
2 Pilot Program that are unexpended and unencumbered at the end of each fiscal year
3 shall not revert but shall remain available for expenditure for that purpose for the
4 duration of the pilot program.

5 **SECTION 7.13.(b)** This section becomes effective June 30, 2008.

6
7 **REESTABLISH COMMITTEE ON DROPOUT PREVENTION**

8 **SECTION 7.14.(a)** Section 7.32(e) of S.L. 2007-323 reads as rewritten:

9 **"SECTION 7.32.(e)** Report. – The Committee shall report to the Joint Legislative
10 Commission on Dropout Prevention and High School Graduation created in subsection
11 (f) of this section by December 1, 2007, on the grants awarded under subsection (d) of
12 this section, ~~after which time the Committee shall terminate.~~section. The Committee
13 shall terminate on December 31, 2010."

14 **SECTION 7.14.(b)** Committee. – The Committee on Dropout Prevention, as
15 created in Section 7.32 of S.L. 2007-323, is reestablished to determine which local
16 school administrative units, schools, agencies, and nonprofits shall receive dropout
17 prevention grants under this section, the amount of each grant, and eligible uses of the
18 grant funding. The Committee shall continue to be located administratively in the
19 Department of Public Instruction but shall exercise its powers and duties independently
20 of the Department of Public Instruction. The Department of Public Instruction shall
21 provide for the administrative costs of the Committee. The Department of Public
22 Instruction shall contract with an independent consultant to serve as staff to the
23 Committee, to provide technical assistance to the grant recipients for the length of the
24 grant, and to assist the Committee in evaluating the impact of the grants awarded.

25 The members of the Committee shall assure they are in compliance with laws
26 and rules governing conflicts of interest. The Committee shall meet on the call of the
27 cochairs provided that the Committee shall meet at least once every three months.

28 **SECTION 7.14.(c)** Dropout Prevention Grants. – The Committee shall
29 select grant recipients as follows:

- 30 (1) From applications received in the process outlined in Section 7.32(d)
31 of S.L. 2007-323 and using the process for the review of grant
32 applications in 2007, the Committee shall establish a new cutoff score
33 and award grants to applicants that both meet the new cutoff score and
34 did not previously receive funding under S.L. 2007-323. Priority for
35 additional funding of grants awarded under S.L. 2007-323 shall be
36 given to programs that would serve students in local schools that have
37 a 4-year cohort graduation rate of less than sixty-five percent (65%).
- 38 (2) From the recipients of grants awarded under S.L. 2007-323, the
39 Committee shall establish a process to award additional funds to those
40 grantees.
- 41 (3) Using the process outlined in Section 7.32(d) of S.L. 2007-323 and
42 using the process for the review of grant applications in 2007, the
43 Committee may award grants to new applicants that did not apply for
44 funding under that act.

1 **SECTION 7.14.(d)** Criteria for Dropout Prevention Grants. – The following
2 criteria apply to dropout prevention grants approved by the Committee:

- 3 (1) Grants shall be issued in varying amounts up to a maximum of one
4 hundred fifty thousand dollars (\$150,000).
- 5 (2) These grants shall be provided to innovative programs and initiatives
6 that target students at risk of dropping out of school and that
7 demonstrate the potential to (i) be developed into effective,
8 sustainable, and coordinated dropout prevention and reentry programs
9 in middle schools and high schools and (ii) serve as effective models
10 for other programs.
- 11 (3) Priority shall be given to new programs and initiatives or to those that
12 have begun within the last five school years.
- 13 (4) Grants shall be distributed geographically throughout the State and
14 throughout the eight educational districts as defined in G.S. 115C-65.
15 No more than three grants shall be awarded in any one county under
16 this section in a single fiscal year.
- 17 (5) Grants may be made to local school administrative units, schools, local
18 agencies, or nonprofit organizations.
- 19 (6) Grants shall be to programs and initiatives that hold all students to
20 high academic and personal standards.
- 21 (7) Grant applications shall state (i) how grant funds will be used, (ii)
22 what, if any, other resources will be used in conjunction with the grant
23 funds, (iii) how the program or initiative will be coordinated to
24 enhance the effectiveness of existing programs, initiatives, or services
25 in the community, and (iv) a process for evaluating the success of the
26 program or initiative.
- 27 (8) Programs and initiatives that receive grants under this section shall be
28 based on best practices for helping at-risk students achieve successful
29 academic progress, preventing students from dropping out of school or
30 for increasing the high school completion rate for those students who
31 already have dropped out of school.
- 32 (9) Priority for grants shall be given to proposals that demonstrate input
33 from the local community and coordination with other available
34 programs or resources.
- 35 (10) Grantees shall assure their compliance with applicable laws and rules
36 regulating conflicts of interest.
- 37 (11) Priority for grants shall be given to programs that would serve students
38 in local schools that have a four-year cohort graduation rate of less
39 than sixty-five percent (65%) and that are from counties that did not
40 receive funding under S.L. 2007-323. The Committee shall establish a
41 grant rating cutoff score at such a level as to allow for consideration of
42 all viable grants in this priority category. The Committee may require
43 grantees to provide supplemental information in response to any prior
44 reviewer comments.

1 (12) Grants shall be made no later than November 1, 2008.

2 The Committee shall report to the Joint Legislative Commission on Dropout
3 Prevention and High School Graduation and the Joint Legislative Education Oversight
4 Committee on the grants awarded under this act by March 1, 2009.

5 **SECTION 7.14.(e)** Evaluation. – The Committee shall evaluate the impact
6 of the dropout prevention grants awarded under S.L. 2007-323 and under this section.
7 In evaluating the impact of the grants, the Committee shall consider:

- 8 (1) The success of the program or initiative, as indicated by the evaluation
9 process stated in its grant application;
- 10 (2) The extent to which the program or initiative has improved students'
11 attendance, test scores, persistence, and graduation rates;
- 12 (3) How the program or initiative was coordinated to enhance the
13 effectiveness of existing programs, initiatives, or services in the
14 community;
- 15 (4) What, if any, other resources were used in conjunction with the grant
16 funds;
- 17 (5) The sustainability of the program;
- 18 (6) The number, gender, ethnicity, and grade level of students being
19 served as well as whether the student left school due to pregnancy or
20 parenting responsibilities;
- 21 (7) The potential for the program to serve as a model for achieving
22 successful academic progress for at-risk students; and
- 23 (8) Other indicators of the impact of the grant on dropout prevention.

24 The recipients of the dropout prevention grants awarded under S.L. 2007-323
25 shall report to the Committee on Dropout Prevention by January 31, 2009, and by
26 September 30, 2009. The Committee shall make an interim report of the results of its
27 evaluation of the grants awarded under S.L. 2007-323 by March 31, 2009, to the Joint
28 Legislative Commission on Dropout Prevention and High School Graduation and to the
29 Joint Legislative Education Oversight Committee. The Committee shall make a final
30 report of the results of its evaluation of the grants awarded under S.L. 2007-323 by
31 November 15, 2009, to the Joint Legislative Commission on Dropout Prevention and
32 High School Graduation and to the Joint Legislative Education Oversight Committee.

33 The recipients of the dropout prevention grants awarded under this section
34 shall report to the Committee on Dropout Prevention by January 31, 2010, and by
35 September 30, 2010. The Committee shall make an interim report of the results of its
36 evaluation of the grants awarded under this section by March 31, 2010, to the Joint
37 Legislative Commission on Dropout Prevention and High School Graduation and to the
38 Joint Legislative Education Oversight Committee. The Committee shall make a final
39 report of the results of its evaluation of the grants awarded under Section 2 of this act by
40 November 15, 2010, to the Joint Legislative Commission on Dropout Prevention and
41 High School Graduation and to the Joint Legislative Education Oversight Committee.

42 **SECTION 7.14.(f)** Dropout Prevention Network. – In addition to its other
43 duties, the Joint Legislative Commission on Dropout Prevention and High School
44 Graduation, established under Section 7.32 of S.L. 2007-323, shall study the

1 development of an effective network for the purpose of sharing best practices among the
2 grant recipients, the public schools, and other interested organizations. The
3 Commission shall consider interactive Web sites, electronic information sharing,
4 professional development opportunities, conferences, and other means that it believes
5 would be effective. The Commission may consult with the Department of Public
6 Instruction and the Committee on Dropout Prevention. The Commission shall report its
7 findings and any recommendations to the 2009 General Assembly.

8 **SECTION 7.14.(g)** Of the funds appropriated in this act for the Committee
9 on Dropout Prevention, the sum five million five hundred thousand dollars (\$5,500,000)
10 for the 2008-2009 fiscal year shall be used to provide for 40 additional dropout
11 prevention grants to be awarded in accordance with subsection (b) of this section. The
12 remainder shall be used in accordance with subsection (b) of this section to provide
13 additional funding to the recipients of grants awarded under S.L. 2007-323 or to award
14 grants to applicants that did not previously receive funding under S.L. 2007-323.
15 Priority for additional funding of grants awarded under S.L. 2007-323 shall be given to
16 programs that would serve students in local schools that have a four-year cohort
17 graduation rate of less than sixty-five percent (65%).

18 **SECTION 7.14.(h)** Funds appropriated for the dropout prevention grants for
19 the 2007-2008 fiscal year shall not revert but shall remain available for expenditure
20 until August 31, 2009. Funds appropriated for the 2008-2009 fiscal year shall not revert
21 but shall remain available for expenditure until August 31, 2010.

22 **SECTION 7.14.(i)** Of the funds appropriated for the dropout prevention
23 grants, the sum of one hundred thousand dollars (\$100,000) for the 2008-2009 fiscal
24 year may be used to issue a request for proposals from qualified vendors on a
25 competitive basis to contract as a consultant to staff the Committee, assist with the
26 evaluation, and provide technical assistance. The factors to be considered in awarding
27 the contract shall be identified in the request for proposals.

28 **SECTION 7.14.(j)** Of the funds appropriated for the dropout prevention
29 grants, the Department of Public Instruction may use up to fifty thousand dollars
30 (\$50,000) for its administrative assistance to the Committee under this section.

31 **SECTION 7.14.(k)** Subsection (h) of this section becomes effective June 30,
32 2008.

33 34 **USE OF LEARN AND EARN ONLINE FOR ADJUNCT UNIVERSITY** 35 **FACULTY**

36 **SECTION 7.15.** Local school administrative units may use funds
37 appropriated for learn and earn online for college-level courses taught by university
38 instructors at public schools. Instruction for these courses shall be partially delivered
39 online. Payments related to the textbooks and the prorated cost of the instructor shall be
40 paid to the university supplying the instruction.

41 The State Board of Education shall adopt policies to establish guidelines and
42 reimbursement procedures.

43 44 **COMPREHENSIVE SUPPORT FOR SCHOOL SYSTEMS AND SCHOOLS**

1 **SECTION 7.16.** If a local school administrative unit is designated by the
2 State Board of Education as a targeted school district for comprehensive support, the
3 State Board may:

- 4 (1) Authorize additional flexibility with regard to State allotments to allow
5 the State Board's assigned support team and the local school
6 administrative unit's leadership to redirect State funding to address the
7 identified reform requirements. This additional flexibility shall not
8 increase overall State funding available to the unit.
- 9 (2) Allot time-limited funds to implement strategies identified by the State
10 Board's assigned support team and the school unit's leadership. The
11 State Board shall adopt policies regarding (i) the strategies for which
12 these time-limited funds may be used and (ii) the maximum time a unit
13 may receive these funds. This funding shall not be allotted for more
14 than one fiscal year. This funding is intended to allow the
15 implementation of necessary reform initiatives while the unit obtains
16 local funding or identifies other State or federal funding to cover the
17 initiatives.

18 19 **MORE AT FOUR PROGRAM**

20 **SECTION 7.17.** Section 7.24(f) of S.L. 2007-323 reads as rewritten:

21 **"SECTION 7.24.(f)** If a county is unable to increase "More at Four" slots because
22 of a documented lack of available resources necessary to provide the required local
23 contribution for the additional slots allocated to the county for the 2007-2008 fiscal
24 year, year or the 2008-2009 fiscal year, the contract agency for that county may appeal
25 to the Office of School Readiness for an exception to the required local amount for
26 those additional slots. The Office of School Readiness may grant an exception and allot
27 funds to pay up to ninety percent (90%) of the full cost of the additional slots for that
28 county if it finds that (i) there is in fact a documented lack of available resources in the
29 county and (ii) granting the exception will not reduce access statewide to "More at
30 Four" slots."

31 32 **PLANT OPERATION FUNDING**

33 **SECTION 7.18.(a)** G.S. 115C-546.2 reads as rewritten:

34 "(a) Monies—Of the monies credited to the Fund by the Secretary of Revenue
35 pursuant to G.S. 115C-546.1(b), the State Board of Education may allocate up to one
36 million dollars (\$1,000,000) each year to the Department of Public Instruction. These
37 funds shall be used by the Plant Operation Section of the School Support Division to
38 assist each local school administrative unit with effective energy and environmental
39 management, effective water management, hazardous material management, clean air
40 quality, and engineering support for safe, effective environmental practices. The
41 remainder of the monies in the Fund shall be allocated to the counties on a per average
42 daily membership basis according to the average daily membership for the budget year
43 as determined and certified by the State Board of Education. Interest earned on funds
44 allocated to each county shall be allocated to that county."

1 **SECTION 7.18.(b)** The Department of Public Instruction shall report to the
2 Joint Legislative Education Oversight Committee by April 15 of each year on the
3 effectiveness of the program in accomplishing its purpose and on any other information
4 requested by the Committee.

5
6 **PART VIII. COMMUNITY COLLEGES**

7
8 **REORGANIZATION OF THE NORTH CAROLINA COMMUNITY**
9 **COLLEGES SYSTEM OFFICE**

10 **SECTION 8.1.(a)** Notwithstanding any other provision of law, and
11 consistent with the authority established in G.S. 115D-3, the President of the North
12 Carolina Community College System may reorganize the System Office in accordance
13 with recommendations and plans submitted to and approved by the State Board of
14 Community Colleges.

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

16
17 **USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM**

18 **SECTION 8.2.(a)** Funds appropriated in this act to the Community Colleges
19 System Office for the College Information System shall not revert at the end of the
20 2008-2009 fiscal year but shall remain available until expended. These funds may only
21 be used to purchase periodic system upgrades.

22 **SECTION 8.2.(b)** Notwithstanding G.S. 143C-6-4, the Community Colleges
23 System Office may, subject to the approval of the Office of State Budget and
24 Management and in consultation with the Office of Information Technology Services,
25 use funds appropriated in this act for the College Information System to create a
26 maximum of three positions. Personnel positions created pursuant to this subsection
27 shall be dedicated to maintaining and administering information technology and
28 software upgrades to the College Information System.

29 **SECTION 8.2.(c)** The Community Colleges System Office shall report by
30 January 1, 2009, to the Joint Legislative Education Oversight Committee on the
31 transition from the implementation phase to the ongoing operations and maintenance
32 phase of the College Information System Project.

33
34 **REPORT ON EFFECT OF ADDITIONAL ALLIED HEALTH FUNDING**

35 **SECTION 8.3.** The Community Colleges System Office shall report by
36 March 1, 2009, to the Joint Legislative Education Oversight Committee, the Fiscal
37 Research Division, and the Office of State Budget and Management regarding the
38 impact of the additional funding received for nursing and allied health programs during
39 the 2006-2007, 2007-2008, and 2008-2009 fiscal years. This report shall include, at a
40 minimum:

- 41 (1) The number of FTE students enrolled in these programs;
42 (2) The number of qualified applicants who were not admitted due to
43 program capacity constraints;
44 (3) The performance of students on nursing licensure exams; and

1 (4) The average salary for allied health faculty by education level.

2
3 **REPORT ON COST OF ALL PROGRAMS**

4 **SECTION 8.4.** The Community Colleges System Office shall report by May
5 15, 2009, to the Fiscal Research Division and the Office of State Budget and
6 Management regarding the instructional cost of all curriculum and non-curriculum
7 programs. This report shall include an explanation of the differences in costs between
8 programs, including faculty salaries and equipment costs.

9
10 **MINORITY MALE MENTORING PROGRAM FUNDS**

11 **SECTION 8.5.(a)** Funds appropriated for the Minority Male Mentoring
12 Program shall not revert at the end of the fiscal year, but shall remain available until
13 expended.

14 **SECTION 8.5.(b)** This section becomes effective June 30, 2008.

15
16 **LEARN AND EARN ONLINE FUNDS**

17 **SECTION 8.6.(a)** Funds reimbursed to the Community College System for
18 full-time equivalent (FTE) students participating in learn and earn online courses shall
19 not revert at the end of a fiscal year, but shall remain available for expenditure up to 12
20 months after the close of a fiscal year.

21 **SECTION 8.6.(b)** This section becomes effective June 30, 2008.

22
23 **CONSOLIDATE WORKFORCE DEVELOPMENT PROGRAMS**

24 **SECTION 8.7.(a)** G.S. 115D-5.1 reads as rewritten:

25 **"§ 115D-5.1. Workforce Development Programs.**

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

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

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

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

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

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

9 (2) ~~The amount of funds per trainee received by the company or
10 individual;~~

11 (3) ~~The amount of funds received per trainee by the community college
12 training the trainee;~~

13 (4) ~~The number of trainees trained by company and by community
14 college; and~~

15 (5) ~~The number of years the companies or individuals have been funded.~~

16 (d) ~~Funds available to the New and Expanding Industry Training Program shall
17 not revert at the end of a fiscal year but shall remain available until expended.~~

18 (e) There is created within the North Carolina Community College System the
19 Customized Industry Training (CIT) Program. ~~The CIT Customized Training Program~~
20 shall offer programs and training services ~~as new options for assisting~~ to assist new and
21 existing business and industry to remain productive, profitable, and within the State.
22 Before a business or industry qualifies to receive assistance under the ~~CIT Customized~~
23 Training Program, the President of the North Carolina Community College System shall
24 determine that:

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

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

27 (2a) The business or individual is creating jobs, expanding an existing
28 workforce, or enhancing the productivity and profitability of the
29 operations within the State; and

30 (3) The skills of the workers will be enhanced by the assistance.

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

33 (1) The total amount of funds received by a company under the CIT
34 Program;

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

36 (3) The amount of funds received per trainee by the community college
37 delivering the training;

38 (4) The number of trainees trained by the company and community
39 college; and

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

41 (f1) Notwithstanding any other provision of law, the State Board of Community
42 Colleges may adopt rules and guidelines that allow the Customized Training Program
43 and the Focused Industrial Training Program to use funds appropriated for those

1 programs to support training projects for the various branches of the United States
2 Armed Forces.

3 (f2) Funds available to the Customized Training Program shall not revert at the
4 end of a fiscal year but shall remain available until expended. Up to ten percent (10%)
5 of the college-delivered training expenditures and up to five percent (5%) of the
6 contractor-delivered training expenditures for the prior fiscal year for Customized
7 Training may be allotted to each college for capacity building at that college.

8 (f3) Of the funds appropriated in a fiscal year for the Customized Training
9 Programs, the State Board of Community Colleges may approve the use of up to eight
10 percent (8%) for the training and support of regional community college personnel to
11 deliver Customized Industry Training Program services to business and industry.

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

13 **SECTION 8.7.(b)** The State Board of Community Colleges shall transfer
14 funds appropriated for the New and Expanding Industry Training Program and the
15 Focused Industrial Training Program to the Customized Industry Training Programs
16 appropriation. This transfer shall be completed by September 1, 2008.

17 18 **BASIC SKILLS BLOCK GRANT**

19 **SECTION 8.8.** The Community Colleges System Office shall develop a new
20 formula for the Basic Skills Block Grant for consideration during the 2009 Session of
21 the General Assembly. The revised formula shall incorporate the following changes:

- 22 (1) Federal funds shall be distributed to both community-based
23 organizations and community colleges using the same process and
24 shall only be awarded to programs that meet minimum standards; and
25 (2) A larger amount of funding shall be distributed on the basis of
26 performance using revised criteria.
27 (3) The formula shall not include funding for members of target
28 populations who do not receive basic skills services.

29 30 **TRANSFERS OF CASH BALANCES TO THE GENERAL FUND**

31 **SECTION 8.9.(a)** Notwithstanding any other provision of law, four million
32 five hundred thousand dollars (\$4,500,000) of the cash balance remaining in the North
33 Carolina Community College System Information Technology CIS Fund (Budget Code
34 26802, Fund 2201) on July 1, 2008, shall be transferred to the State Controller to be
35 deposited in Nontax Budget Code 19978 (Intra State Transfers). These funds shall be
36 used to support the General Fund appropriations for the 2008-2009 fiscal year for
37 expansion funding for the North Carolina Community College System.

38 **SECTION 8.9.(b)** Notwithstanding any other provision of law, seven
39 hundred eighty-three thousand two hundred fifty-six dollars (\$783,256) of the cash
40 balance remaining in the Focused Industrial Training (FIT) programs (Budget Code
41 16800, Fund 1603) on July 1, 2008, shall be transferred to the State Controller to be
42 deposited in Nontax Budget Code 19978 (Intra State Transfers). These funds shall be
43 used to support the General Fund appropriations for the 2008-2009 fiscal year for
44 expansion funding for the North Carolina Community College System.

FUNDS FOR CAMPUS SECURITY

SECTION 8.10. Notwithstanding G.S. 115D-32 or any other provision of law, a community college may use up to two percent (2%) of the noninstructional State funds allocated to it in the institutional support allotment for the 2008-2009 fiscal year for campus security. This may include the hiring of personnel, contracted professional services, surveillance cameras, call boxes, alert systems, and other equipment-related expenditures.

These funds shall be used to supplement and not supplant existing local funding for campus security.

CLARIFY USE OF FEES COLLECTED FOR GED TESTING

SECTION 8.11. G.S. 115C-5 is amended by adding a new subsection to read:

"(s) The State Board of Community Colleges may retain and budget fees charged to students taking the General Education Development (GED) test. Fees collected for this purpose shall be used only to (i) offset the costs of the GED test, including the cost of scoring the test, (ii) offset the course of printing GED certificates, and (iii) meet federal and State reporting requirements related to the test."

CARRYFORWARD OF NORTH CAROLINA RESEARCH CAMPUS BIOTECHNOLOGY TRAINING FUNDS

SECTION 8.12.(a) Funds appropriated in S.L. 2006-66 and S.L. 2007-323 for the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis shall not revert, but shall remain available until expended.

SECTION 8.12.(b) This section becomes effective June 30, 2008.

USE OF BASIC SKILLS FUNDS

SECTION 8.13. Notwithstanding any other provision of law, a local community college may use up to five percent (5%) of the Literacy Funds allocated to it by the State Board of Community Colleges to procure instructional technology for literacy labs. This technology may include computers, instructional software and software licenses, scanners for testing, and classroom projection equipment.

SURRY COMMUNITY COLLEGE VITICULTURE & ENOLOGY CENTER FUNDS

SECTION 8.14.(a) Funds appropriated for the 2007-2008 fiscal year to the Community Colleges System Office for the operations of the North Carolina Viticulture and Enology Center located at Surry Community College shall not revert at the end of the fiscal year. Surry Community College may use these funds for capital construction for the Center.

SECTION 8.14.(b) This section becomes effective June 30, 2008.

1 **STUDY OF CHANGES NECESSARY TO IMPROVE FINANCIAL AID TO**
2 **COMMUNITY COLLEGE STUDENTS**

3 **SECTION 8.15.** The Joint Legislative Education Oversight Committee shall
4 study the changes necessary to improve financial aid for community college students.
5 Specifically the study shall include recommendations on how to better serve
6 nontraditional students and how to increase the number of community colleges that
7 participate in federal student loan programs.
8

9 **USE OF HOSIERY CENTER FUNDS.**

10 **SECTION 8.16.** Funds appropriated to the Community Colleges System
11 Office for the Hosiery Technology Center at Catawba Valley Community College may
12 be expended for the Center for Emerging Manufacturing Solutions (CEMS), which was
13 established by Catawba Valley Community College in February 2008. The Hosiery
14 Technology Center is now a division with the CEMS.
15

16 **PART IX. UNIVERSITIES**

17
18 **ELIMINATE COACHING SCHOLARSHIP LOAN PROGRAM/TRANSFER**
19 **FUND BALANCE TO GENERAL FUND**

20 **SECTION 9.1.(a)** G.S. 116-209.36 is repealed.

21 **SECTION 9.1.(b)** All financial obligations to any student awarded a
22 scholarship loan from the Coaching Scholarship Loan Fund before July 1, 2008, shall be
23 fulfilled provided the student remains eligible under the provisions of the Coaching
24 Scholarship Loan Fund. All contractual agreements between a student awarded a
25 scholarship loan from the Coaching Scholarship Loan Fund before July 1, 2008, and the
26 State Education Assistance Authority remain enforceable and the provisions of
27 G.S. 116-209.36 that would be applicable but for this section shall remain applicable
28 with regard to any scholarship loan awarded before July 1, 2008.

29 **SECTION 9.1.(c)** Effective June 30, 2008, the unencumbered balance of
30 funds in the Coaching Scholarship Loan Fund shall revert to the General Fund.
31

32 **PRIVATE COLLEGE STUDENT ELIGIBILITY FOR EARN**
33 **SCHOLARSHIP/USE OF ESCHEAT FUNDS FOR CERTAIN EARN**
34 **SCHOLARSHIPS**

35 **SECTION 9.2.(a)** G.S. 116-209.26(a) reads as rewritten:

36 "(a) The following definitions apply to this section:

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

40 (2) Eligible postsecondary institution. – A school that ~~is~~is any of the
41 following:

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

1 b. A community college as defined in
2 ~~G.S. 115D-2(2)~~; G.S. 115D-2(2); or

3 c. An institution as defined in G.S. 116-22(1).

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

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

9 **SECTION 9.2.(b)** G.S. 116-209.26 is amended by adding a new subsection
10 to read:

11 "(h) No funds appropriated from the Escheat Fund to the Education Access
12 Rewards North Carolina Scholars Fund shall be used for a grant awarded under this
13 section to a student who is an undergraduate student at an institution as defined in
14 G.S. 116-22(1); however, funds appropriated from the General Fund to the Education
15 Access Rewards North Carolina Scholars Fund may be used for a grant awarded under
16 this section to a student who is an undergraduate student at an institution as defined in
17 G.S. 116-22(1)."

18 **SECTION 9.2.(c)** Section 9.7(b) of S.L. 2007-323 reads as rewritten:

19 **"SECTION 9.7.(b)** There is appropriated from the General Fund to the State
20 Education Assistance Authority the sum of twenty-seven million six hundred five
21 thousand two hundred ten dollars (\$27,605,210) for the 2007-2008 fiscal year and the
22 sum of ~~sixty million dollars (\$60,000,000)~~ ten million dollars (\$10,000,000) for the
23 2008-2009 fiscal year."

24 **SECTION 9.2.(d)** Section 9.7(c) of S.L. 2007-323 reads as rewritten:

25 **"SECTION 9.7.(c)** There is appropriated from the Escheat Fund to the State
26 Education Assistance Authority the sum of ~~forty million dollars (\$40,000,000)~~ sixty
27 million dollars (\$60,000,000) for the 2008-2009 fiscal year. ~~Notwithstanding any other~~
28 ~~provision of law, no funds shall be used from the Escheat Fund until all monies from the~~
29 ~~General Fund appropriated under Section 9.7(c) have been exhausted."~~

30 **SECTION 9.2.(e)** Subsections (a) and (b) of this section apply only for
31 academic years beginning on or after July 1, 2008.

32 33 CLOSING THE ACHIEVEMENT GAP/GRANTS

34 **SECTION 9.3.(a)** Of the funds appropriated by this act for the 2008-2009
35 fiscal year to the Board of Governors of The University of North Carolina to be used for
36 the North Carolina Historically Minority Colleges and Universities initiative for
37 "Closing the Achievement Gap", North Carolina Central University may use up to ten
38 percent (10%) of the funds to cover the costs for administering the grants and shall
39 award at least ninety percent (90%) of the funds as grants to the public and private
40 institutions of higher education.

41 **SECTION 9.3.(b)** North Carolina Central University shall report to the Joint
42 Education Legislative Oversight Committee and to the Fiscal Research Division by
43 April 1, 2009, regarding the number of grants awarded, the recipients of the grants, the
44 amount of the grant awarded, the programs and purposes for which the grant was

1 awarded, the cost of administering the grant, and any other information requested by the
2 Committee or Fiscal Research Division. The grants awarded pursuant to this section
3 shall also include as a term of the grant that the recipient of the grant report to the Joint
4 Education Legislative Oversight Committee and to the Fiscal Research Division
5 regarding the amount of the grant received, the program and purposes for which the
6 grant was requested, the methodology used to implement the grant program and
7 purposes, the results of the program funded by the grant, and any other information
8 requested by the Joint Education Legislative Oversight Committee and the Fiscal
9 Research Division.

10
11 **OPTIONAL SCHOLARSHIP FOR CERTAIN GRADUATES OF THE**
12 **PRINCIPAL FELLOWS PROGRAM**

13 **SECTION 9.4.(a)** The North Carolina Principal Fellows Commission in
14 collaboration with the State Education Assistance Authority shall make available an
15 optional six-month scholarship in the amount of twenty thousand dollars (\$20,000) to
16 any person who was a recipient of a scholarship loan through the Principal Fellows
17 Program and who: (i) was in Class 10 of the Principal Fellows Program for the
18 2003-2004 academic year, (ii) completed the Principal Fellows Program, and (iii) has
19 either served as a school administrator for four years at a North Carolina public school
20 or at a school operated by the United States as required by G.S. 116-74.43, or who has
21 had the loan forgiven by the State Education Assistance Authority pursuant to
22 G.S. 116-74.43. A person may be eligible for the optional six-month scholarship only
23 after fulfilling all contractual obligations agreed to by the person upon receipt of the
24 original scholarship loan awarded to the person under G.S. 116-74.42. Exclusive of any
25 deferment for extenuating circumstances, a person remains eligible for the optional
26 six-month scholarship for two years after the six-year period of time allowed the person
27 to satisfy the original scholarship loan requirements under G.S. 116-74.43. Should a
28 person present extenuating circumstances, the State Education Assistance Authority
29 may extend the period of time for which a person remains eligible for the optional
30 six-month scholarship for a reasonable time period.

31 **SECTION 9.4.(b)** The Principal Fellows Commission shall develop the
32 criteria for awarding the scholarship. In developing the criteria, the Commission shall
33 require that the person agree to work at least another six months as a school
34 administrator in a North Carolina public school or at a school operated by the United
35 States after satisfying the four-year work requirement set out in G.S. 116-74.43. The
36 Commission, in collaboration with the State Education Assistance Authority, shall
37 develop a process for evaluating a scholarship recipient's work performance and for
38 issuing a final approval and certification of the work performance. The Commission
39 shall transfer to the State Education Assistance Authority the name of each recipient
40 that it certifies as successfully completing the optional scholarship program. The State
41 Education Assistance Authority shall pay the twenty thousand dollar (\$20,000) stipend
42 to the scholarship recipient within a reasonable time of receiving notification from the
43 Commission that the recipient has successfully completed the optional scholarship

1 program. The State Education Assistance Authority shall perform all of the
2 administrative functions necessary to implement this act, including rule making.

3 **SECTION 9.4.(c)** Effective June 30, 2008, the sum of one million dollars
4 (\$1,000,000) shall revert from the Principal Fellows Trust Fund to the General Fund.
5 The sum of one million seven hundred forty thousand dollars (\$1,740,000) in the
6 Principal Fellows Trust Fund shall be held in reserve to pay each participant in the
7 optional scholarship program the stipend of twenty thousand dollars (\$20,000) upon
8 successful completion of the optional scholarship program.

9 10 **AHEC FUNDS**

11 **SECTION 9.5.** Funds appropriated in the amount of one million one
12 hundred ninety thousand five hundred sixty-two dollars (\$1,190,562) by this act to the
13 Board of Governors of The University of North Carolina for the 2008-2009 fiscal year
14 for Area Health Education Centers (AHEC) to address health workforce shortages,
15 primary care residency training, and patient safety in local health facilities shall be used
16 only for these purposes and shall not be reduced.

17 18 **REPORTING ON UNC FACULTY WORKLOAD**

19 **SECTION 9.6.(a)** The Board of Governors shall conduct a study on faculty
20 workload. The study shall be done using the Delaware Study Method of collecting data.
21 Information in the report shall include, but is not to be limited to:

- 22 (1) Faculty workload data for each UNC constituent institution compared
23 to the UNC enrollment model.
- 24 (2) UNC faculty workload average as compared to the UNC enrollment
25 model student credit hours per instructional position.
- 26 (3) Faculty workload of regional and peer institutions as compared to each
27 UNC constituent institution faculty average and to the UNC faculty
28 workload average.

29 **SECTION 9.6.(b)** The UNC Board of Governors shall submit the study to
30 the Joint Legislative Education Oversight Committee, the Office of State Budget and
31 Management, and the Fiscal Research Division no later than August 1, 2008.

32 33 **UNC-NCCCS 2+2 E-LEARNING INITIATIVE**

34 **SECTION 9.7.(a)** Funds appropriated in this act to The University of North
35 Carolina and the North Carolina Community College System for the UNC-NCCCS 2+2
36 E-Learning Initiative shall be used to fund further development of online courses for
37 2+2 programs. Based on a mutually agreed upon decision by the State Board of
38 Education Chairman, the President of the Community Colleges, and the President of the
39 University of North Carolina as to the areas of greatest need, to include mathematics
40 and science teacher licensure fields, these funds are available to support joint
41 technology development, systems to track student progress, and articulation between a
42 North Carolina community college and a UNC constituent institution and develop
43 technology needed to support online courses and 2+2 programs.

1 **SECTION 9.7.(b)** The University of North Carolina and the North Carolina
2 Community College System shall use these funds first to develop online teacher
3 education programs, including baccalaureate and associate pre-major programs.

4 **SECTION 9.7.(c)** The University of North Carolina and Community
5 Colleges System Office shall report by September 1, 2008, and annually thereafter, to
6 the Joint Legislative Education Oversight Commission, the State Board of Education,
7 the Office of State Budget and Management, and the Fiscal Research Division of the
8 General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning
9 Initiative. This report shall include:

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

27
28 **UNC ENROLLMENT GROWTH REQUEST TO CONTAIN PREVIOUS**
29 **ACADEMIC YEAR'S ACTUAL STUDENT CREDIT HOURS (SCH) AND**
30 **FULL TIME EQUIVALENCIES (FTE)**

31 **SECTION 9.8.** G.S. 116-11(9) reads as rewritten:

- 32 "(9) a. The Board of Governors shall develop, prepare and present to
33 the Governor and the General Assembly a single, unified
34 recommended budget for all of the constituent institutions of
35 The University of North Carolina. The recommendations shall
36 consist of requests in three general categories: (i) funds for the
37 continuing operation of each constituent institution, (ii) funds
38 for salary increases for employees exempt from the State
39 Personnel Act and (iii) funds requested without reference to
40 constituent institutions, itemized as to priority and covering
41 such areas as new programs and activities, expansions of
42 programs and activities, increases in enrollments, increases to
43 accommodate internal shifts and categories of persons served,
44 capital improvements, improvements in levels of operation and

1 increases to remedy deficiencies, as well as other areas. The
2 president may present to the General Assembly an updated
3 estimate of tuition, fees, and other receipts by June 15 of each
4 year to be included in the budget for the following fiscal year.

5 a1. The Board of Governors shall provide full documentation and
6 justification of any enrollment change funding request at the
7 time it is recommended. This documentation and justification
8 shall include the most recent academic year's actual enrollment
9 numbers in the same format in which the growth increase
10 request is made. The actual enrollment numbers shall be the
11 actual student credit hours (SCH) or full-time equivalencies
12 (FTE).

13 b. Funds for the continuing operation of each constituent
14 institution shall be appropriated directly to the institution. Funds
15 for salary increases for employees exempt from the State
16 Personnel Act shall be appropriated to the Board in a lump sum
17 for allocation to the institutions. Funds for the third category in
18 paragraph a of this subdivision shall be appropriated to the
19 Board in a lump sum for allocation to the institutions. The
20 Board shall make allocations among the institutions in
21 accordance with the Board's schedule of priorities and any
22 specifications in the Current Operations Appropriations Act.
23 When both the Board and the Director of the Budget deem it to
24 be in the best interest of the State, funds in the third category
25 may be allocated, in whole or in part, for other items within the
26 list of priorities or for items not included in the list. Provided,
27 nothing herein shall be construed to allow the General
28 Assembly, except as to capital improvements, to refer to
29 particular constituent institutions in any specifications as to
30 priorities in the third category.

31 c. The Director of the Budget may, on recommendation of the
32 Board, authorize transfer of appropriated funds from one
33 institution to another to provide adjustments for over or under
34 enrollment or may make any other adjustments among
35 institutions that would provide for the orderly and efficient
36 operation of the institutions.

37 d. Repealed by Session Laws 1987, c. 795, s. 27."
38

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

41 **SECTION 9.9.** Effective June 30, 2008, the unencumbered balance of the
42 funds appropriated in 2007-2008 to The University of North Carolina Board of
43 Governors and the State Education Assistance Authority in Section 9.7 of S.L.

1 2007-323 shall revert to the General Fund. The amount reverted shall be no less than
2 twenty-seven million six hundred five thousand two hundred ten dollars (\$27,605,210).

3
4 **HIGHER EDUCATION STUDIES/DISTANCE EDUCATION AND UNC**
5 **ENROLLMENT GROWTH FUNDING FORMULAS**

6 **SECTION 9.10.(a)** The Program Evaluation Division of the General
7 Assembly shall study the start-up and ongoing cost of distance education and compare it
8 with the start-up and ongoing cost of on-campus education. The Program Evaluation
9 Division shall submit the study to the Joint Legislative Education Oversight Committee
10 and the Fiscal Research Division no later than March 1, 2009.

11 **SECTION 9.10.(b)** The Program Evaluation Division of the General
12 Assembly shall conduct a comprehensive review of the full-time equivalencies (FTE)
13 and student credit hours (SCH) enrollment growth funding formulas used by The
14 University of North Carolina. In its study, the Program Evaluation Division shall
15 consider and evaluate all of the following:

- 16 (1) The assumptions contained within each element of the funding
17 formulas.
- 18 (2) Benchmark information related to specific elements within the
19 formulas.
- 20 (3) How a formula based on full-time equivalencies (FTE) compares with
21 a formula based on Student Credit Hours (SCH).
- 22 (4) The types of formulas used by other states to fund university systems;
23 how those states use those formulas; the success of the formulas with
24 regard to indicating future financial needs, providing equitable funding
25 to different institutions within the system based on the size, mission,
26 and growth of each institution; and the types of support programs, if
27 any, addressed by the formulas.
- 28 (5) The objectives that the formulas are designed to meet and whether
29 those accurately reflect the goals of The University of North Carolina
30 System.
- 31 (6) How the current formulas should be modified, if at all, to more
32 accurately predict The University of North Carolina System's future
33 financial needs or whether different types of formulas would be more
34 helpful.

35 If this study recommends changes to the enrollment growth formulas, the
36 revised formulas will be used to calculate the amount of funds needed for enrollment
37 growth. The formulas will be used for calculating the enrollment growth funding
38 recommendation to be submitted to the 2009 Session of the North Carolina General
39 Assembly.

40 The Program Evaluation Division shall submit the study to the Joint
41 Legislative Education Oversight Committee and the Fiscal Research Division no later
42 than March 1, 2009.

43
44 **LEGISLATIVE TUITION GRANT/REDEFINE PART-TIME STUDENT**

1 **SECTION 9.11.(a)** G.S. 116-21.2 reads as rewritten:

2 "**§ 116-21.2. Legislative tuition grants to aid students and licensure students**
3 **attending private institutions of higher education.**

4 (a) Grants for Students. – In addition to any funds appropriated pursuant to
5 G.S. 116-19 and in addition to all other financial assistance made available to
6 institutions, or to persons attending these institutions, there is granted to each North
7 Carolina undergraduate student attending an approved institution as defined in
8 G.S. 116-22, a sum, to be determined by the General Assembly for each academic year
9 which shall be distributed to the undergraduate student as provided by this subsection. A
10 full-time North Carolina undergraduate student shall be awarded the full amount of the
11 tuition grant provided by this section. A part-time North Carolina undergraduate student
12 who is enrolled to take at least ~~nine~~-six hours of academic credit per semester shall be
13 awarded a tuition grant in an amount that is calculated on a pro rata basis.

14 (a1) Grants for Licensure Students. – The legislative tuition grant provided by this
15 section shall also be granted to each full-time licensure student who is enrolled in a
16 program intended to result in a license in teaching or nursing at an approved institution.
17 The legislative tuition grant provided by this section shall be awarded on a pro rata basis
18 to any part-time licensure student who is enrolled to take at least ~~nine~~-six hours of
19 undergraduate academic credit per semester in a program intended to result in a license
20 in teaching or nursing at an approved institution. The legislative tuition grant and
21 prorated legislative tuition grant authorized under this subsection shall be paid for
22 undergraduate courses only. If a course is required for licensure, but is designated as
23 both an undergraduate and graduate course, for purposes of this subsection, the course
24 shall be considered an undergraduate course.

25 (b) Administration of Grants. – The tuition grants provided for in this section
26 shall be administered by the State Education Assistance Authority pursuant to rules
27 adopted by the State Education Assistance Authority not inconsistent with this section.
28 The State Education Assistance Authority shall not approve any grant until it receives
29 proper certification from an approved institution that the student or licensure student
30 applying for the grant is eligible. Upon receipt of the certification, the State Education
31 Assistance Authority shall remit at the times as it prescribes the grant to the approved
32 institution on behalf, and to the credit, of the student or licensure student.

33 (c) Student or Licensure Student Change of Status; Audits. – In the event a
34 full-time student on whose behalf a grant has been paid in accordance with subsection
35 (a) of this section or a full-time licensure student on whose behalf a grant has been paid
36 in accordance with subsection (a1) of this section is not enrolled and carrying a
37 minimum academic load as of the tenth classroom day following the beginning of the
38 school term for which the grant was paid, the institution shall refund the full amount of
39 the grant to the State Education Assistance Authority. If a part-time student on whose
40 behalf a prorated grant has been paid in accordance with subsection (a) of this section or
41 a part-time licensure student on whose behalf a prorated grant has been paid in
42 accordance with subsection (a1) of this section is not enrolled and carrying a minimum
43 academic load of ~~nine~~-six credit hours per semester in the undergraduate class as of the
44 tenth classroom day following the beginning of the school term for which the grant was

1 paid, the institution shall refund the full amount of the grant to the State Education
2 Assistance Authority. If the matriculated status of a full-time student or a full-time
3 licensure student changes to a matriculated status of part-time student or part-time
4 licensure student by the tenth classroom day following the beginning of the school term
5 for which the grant was paid, the institution shall refund only the difference between the
6 amount of the full-time grant awarded and the amount of the part-time grant that is
7 awarded pursuant to this section. Each approved institution shall be subject to
8 examination by the State Auditor for the purpose of determining whether the institution
9 has properly certified eligibility and enrollment of students and licensure students and
10 credited grants paid on behalf of them.

11 (d) Shortfall. – In the event there are not sufficient funds to provide each eligible
12 student or licensure student with a full or prorated grant as provided by subsection (a) of
13 this section or a full or a prorated grant as provided by subsection (a1) of this section:

- 14 (1) The Board of Governors of The University of North Carolina, with the
15 approval of the Office of State Budget and Management, may transfer
16 available funds to meet the needs of the programs provided by
17 subsections (a), (a1), and (b) of this section; and
- 18 (2) Each eligible student and licensure student shall receive a pro rata
19 share of funds then available for the remainder of the academic year
20 within the fiscal period covered by the current appropriation.

21 (e) Reversions. – Any remaining funds shall revert to the General Fund."

22 **SECTION 9.11.(b)** This section applies to academic semesters beginning on
23 or after July 1, 2008.

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

25 **NC RX FUNDS TRANSFER**

26 **SECTION 10.1.(a)** The sum of three million five hundred thousand dollars
27 (\$3,500,000) of the cash balance remaining in the NC Rx Program (Budget Code
28 536J50, Fund 1510) on July 1, 2008, shall be transferred to the State Controller to be
29 deposited in Nontax Budget Code 19978 (Intra State Transfers). These funds shall be
30 used to support General Fund appropriations for the 2008-2009 fiscal year in the
31 following amounts and for the following purposes:

- 32 (1) \$700,000 to HealthNet (Budget Code 536J30; Fund 1510),
- 33 (2) \$2,300,000 to Community Health Centers (Budget Code 536E66,
34 Fund 1510), and
- 35 (3) \$500,000 to the North Carolina Housing Trust Fund (Budget Code
36 13010).

37 **SECTION 10.1.(b)** Notwithstanding G.S. 143C-9-3(b) and G.S. 147-86.30,
38 of the funds credited to the Health Trust Account from the Master Settlement
39 Agreement pursuant to Section 6(2) of the 1992 Session Laws during the 2008-2009
40 fiscal year, the sum of one million dollars for the 2008-2009 fiscal year shall be
41 transferred from the Department of State Treasurer, Budget Code 23460 (Health and
42 Wellness Trust Fund) to the State Controller to be deposited in Nontax Budget Code
43
44

1 19978 (Intra State Transfers) to support General Fund appropriations by the 2007
2 General Assembly, Regular Session 2008, to provide funding for the Sexual Assault and
3 Rape Crisis Center Fund, Fund Code 1734 (Rape Crisis Program), in the Department of
4 Administration, Fund Code 14100.

5
6 **STATE COUNTY SPECIAL ASSISTANCE**

7 **SECTION 10.2.** Section 10.13 of S.L. 2007-323 reads as rewritten:

8 **"SECTION 10.13.(a)** The eligibility of Special Assistance recipients residing in
9 adult care homes on August 1, 1995, shall not be affected by an income reduction in the
10 Special Assistance eligibility criteria resulting from adoption of the Rate Setting
11 Methodology Report and Related Services, providing these recipients are otherwise
12 eligible. The maximum monthly rate for these residents in adult care home facilities
13 shall be one thousand two hundred thirty-one dollars (\$1,231) per month per resident.

14 **SECTION 10.13.(b)** Effective January 1, 2007, the maximum monthly rate for
15 residents in adult care home facilities shall be one thousand one hundred forty-eight
16 dollars (\$1,148) per month per resident unless adjusted by the Department in
17 accordance with subsection (e) of this section.

18 **SECTION 10.13.(c)** Effective October 1, 2007, the maximum monthly rate for
19 residents in adult care home facilities shall be one thousand one hundred seventy-three
20 dollars (\$1,173) per month per resident unless adjusted by the Department in
21 accordance with subsection (e) of this section.

22 **SECTION 10.13.(c1)** Effective January 1, 2009, the maximum monthly rate for
23 residents in adult care home facilities shall be one thousand two hundred three dollars
24 (\$1,203) per month per resident unless adjusted by the Department in accordance with
25 subsection (e) of this section.

26 **SECTION 10.13.(d)** The maximum monthly rate for residents in
27 Alzheimer/Dementia special care units shall be one thousand five hundred fifteen
28 dollars (\$1,515) per month per resident unless adjusted by the Department in
29 accordance with subsection (e) of this section.

30 **SECTION 10.13.(e)** Notwithstanding any other provision of this section, the
31 Department of Health and Human Services shall review activities and costs related to
32 the provision of care in adult care homes and shall determine what costs may be
33 considered to properly maximize allowable reimbursement available through Medicaid
34 personal care services for adult care homes (ACH-PCS) under federal law. As
35 determined, and with any necessary approval from the Centers for Medicare and
36 Medicaid Services (CMS), and the approval of the Office of State Budget and
37 Management, the Department may transfer necessary funds from the State-County
38 Special Assistance program within the Division of Social Services to the Division of
39 Medical Assistance and may use those funds as State match to draw down federal
40 matching funds to pay for such activities and costs under Medicaid's personal care
41 services for adult care homes (ACH-PCS), thus maximizing available federal funds. The
42 established rate for State-County Special Assistance set forth in subsections (b) and (c)
43 of this section shall be adjusted by the Department to reflect any transfer of funds from
44 the Division of Social Services to the Division of Medical Assistance and related

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

16 **SECTION 10.13.(f)** Effective July 1, 2007, the Department of Health and Human
17 Services shall recommend rates for State-County Special Assistance and for Adult Care
18 Home Personal Care Services. The Department may recommend rates appropriate cost
19 methodology and cost reports submitted by adult care homes that receive State-County
20 Special Assistance funds and shall ensure that cost reporting is done for State-County
21 Special Assistance and Adult Care Home Personal Care Services to the same standards
22 as apply to other residential service providers."
23

24 AIDS DRUG ASSISTANCE PROGRAM

25 **SECTION 10.3.** Section 10.26 of S.L. 2007-323 reads as rewritten:

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

35 **SECTION 10.26.(b)** For the 2008-2009 fiscal year, the Department may, within
36 existing ADAP Program resources, adjust the financial eligibility criterion of the ADAP
37 up to an amount not exceeding three hundred percent (300%) of the federal poverty
38 level in order to serve as many eligible North Carolinians living with HIV disease as
39 possible within existing resources plus any new federal resources. If a waiting list
40 develops as a result of the eligibility criterion being raised, the Department shall give
41 first priority to those individuals on the waiting list with income at or below one
42 hundred twenty-five percent (125%) of the federal poverty level, and second priority to
43 those individuals with income above one hundred twenty-five percent (125%) and at or
44 below two hundred fifty percent (250%) of federal poverty guidelines."

1
2 **CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH**
3 **DISPARITIES INITIATIVE**

4 **SECTION 10.4.** Section 10.22 of S.L. 2007-323 reads as rewritten:

5 **"SECTION 10.22.(a)** Of funds appropriated in this act from the General Fund to
6 the Department of Health and Human Services, the sum of two million five hundred
7 thousand dollars (\$2,500,000) for the 2007-2008 fiscal year and the sum of ~~two million~~
8 ~~dollars (\$2,000,000) for the~~ three million dollars (\$3,000,000) for the 2008-2009 fiscal
9 year shall be allocated for the Community-Focused Eliminating Health Disparities
10 Initiative (CFEHDI) to provide grants-in-aid to local public health departments,
11 American Indian tribes, and faith-based and community-based organizations to close the
12 gap in the health status of African-Americans, Hispanics/Latinos, and American Indians
13 as compared to the health status of white persons. These grants shall focus on the use of
14 preventive measures to support healthy lifestyles. The areas of focus on health status
15 shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer,
16 diabetes, and homicides and motor vehicle deaths.

17 The five hundred thousand dollars (\$500,000) in nonrecurring funds appropriated in
18 this act to the Department of Health and Human Services, Division of Public Health, for
19 the Health Disparities Initiative in the 2007-2008 fiscal year shall be awarded as a
20 grant-in-aid to honor the memory of the following recently deceased members of the
21 General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne
22 Lucas, and William Martin. These funds shall be used for concerted efforts to address
23 large gaps in health status among North Carolinians who are African-American, as well
24 as disparities among other minority populations in North Carolina. These efforts shall
25 include:

- 26 (1) Providing enhanced education and outreach to minority populations on
27 the prevention, diagnosis, and treatment of heart disease, breast cancer,
28 diabetes, obesity, hypertension, sickle cell anemia, and HIV infection.
29 (2) Addressing cultural and communication barriers to quality care by
30 improving interpersonal processes between clinicians and patients.

31 The Secretary shall send to each grantee organization a letter stating that the award
32 is made in honor of the memory of and in recognition of the recent deaths of Senators
33 Robert Holloman, Jeanne Lucas, and William Martin and Representatives Bernard
34 Allen, John Hall, and Howard Hunter.

35 **SECTION 10.22.(b)** The Department of Health and Human Services shall report on
36 the following with respect to funds appropriated to the CFEHDI program ~~in fiscal years~~
37 ~~2005-2006, 2006-2007, and 2007-2008.~~ for the 2007-2008 and 2008-2009 fiscal years.
38 The report shall address for each fiscal year:

- 39 (1) Which community programs and local health departments received
40 CFEHDI grants.
41 (2) What amount of funding did each program or local health department
42 receive.
43 (3) Which of the minority populations were served by the programs or
44 local health departments.

- 1 (4) Which counties were served by the programs or local health
2 departments.
- 3 (5) What activities were planned and implemented by the programs or
4 local health departments to fulfill the community focus of the CFEHDI
5 program.

6 ~~The report shall also contain a comprehensive evaluation of all grantees with regard~~
7 ~~to fulfilling the goals of the program, assessing the difference the funded activities have~~
8 ~~made in the community, and addressing and mitigating the health disparities identified~~
9 ~~in the Racial and Ethnic Health Disparities in North Carolina, Report Card 2006. In~~
10 ~~addition, the~~The Department shall solicit from the grantees their observations and
11 recommendations on ways the CFEHDI program can best accomplish its goals. The
12 report shall also include specific activities undertaken pursuant to subsection (a) of this
13 section to address large gaps in health status among North Carolinians who are
14 African-American and other minority populations in this State. The Department shall
15 submit the report not later than March 1, 2008, to the House of Representatives
16 Appropriations Subcommittee on Health and Human Services, the Senate
17 Appropriations Committee on Health and Human Services, and the Fiscal Research
18 Division."

19 20 **HIV PREVENTION FUNDS**

21 **SECTION 10.5.** Of the funds appropriated in this act to the Department of
22 Health and Human Services, the sum of two million dollars (\$2,000,000) for the
23 2008-2009 fiscal year shall be allocated for HIV Prevention for the following purposes:

- 24 (1) Funding to local health departments, historically black colleges and
25 universities, the Office of Minority Health and Health Disparities, and
26 other community organizations for HIV counseling, testing, and early
27 medical interventions.
- 28 (2) Funding to implement three community-based harm reduction
29 programs as part of a comprehensive Hepatitis C and HIV disease
30 prevention program. The funds shall also be used to support these
31 programs in providing case management services, care, and other
32 services that will further the purposes of HIV and Hepatitis C
33 prevention.
- 34 (3) Funding to support peer-to-peer counseling efforts.

35 36 **CHILD CARE FUNDS MATCHING REQUIREMENT**

37 **SECTION 10.6.** Section 10.17 of S.L. 2007-323 reads as rewritten:

38 **"SECTION 10.17.(a)** No local matching funds may be required by the Department
39 of Health and Human Services as a condition of any locality's receiving its initial
40 allocation of child care funds appropriated by this act unless federal law requires a
41 match. If the Department reallocates additional funds above twenty-five thousand
42 dollars (\$25,000) to local purchasing agencies beyond their initial allocation, local
43 purchasing agencies must provide a ~~fifteen percent (15%)~~twenty percent (20%) local

1 match to receive the reallocated funds. Matching requirements shall not apply when
2 funds are allocated because of a disaster as defined in G.S. 166A-4(1).

3 **SECTION 10.17.(b)** If funds are reallocated to local purchasing agencies in
4 accordance with subsection (a) of this section, the Department of Health and Human
5 Services shall evaluate the ~~fifteen percent (15%)~~ twenty percent (20%) local matching
6 requirement to determine its effect on local purchasing agencies and whether the
7 matching requirement should be adjusted. The Department shall report its findings and
8 recommendations to the House of Representatives Appropriations Subcommittee on
9 Health and Human Services, the Senate Appropriations Committee on Health and
10 Human Services, and the Fiscal Research Division no later than April 1, 2009."

11 **CHANGES TO FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS**

12 **SECTION 10.7.** Section 10.29 of S.L. 2007-323 reads as rewritten:

13 **"SECTION 10.29.(a)** The maximum rates for State participation in the foster care
14 assistance program are established on a graduated scale as follows:

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

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

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

- 23 (1) ~~\$390.00~~ \$475.00 per child per month for children aged birth through 5;
24 (2) ~~\$440.00~~ \$581.00 per child per month for children aged 6 through 12;
25 and
26 (3) ~~\$490.00~~ \$634.00 per child per month for children aged 13 through 18.

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

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

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

39 **SECTION 10.29.(e)** The State and a county participating in foster care and
40 adoption assistance shall each contribute fifty percent (50%) of the nonfederal share of
41 the cost of care for a child placed by a county department of social services or child
42 placing agency in a family foster home or residential child care facility. A county shall
43 be held harmless from contributing fifty percent (50%) of the cost for a child currently

1 in a family foster home or residential child care facility until the child leaves foster care
2 or experiences a placement change.

3 SECTION 10.29.(f) The Department of Health and Human Services may establish
4 foster care and adoption assistance rates based on the United States Department of
5 Agriculture (USDA) 'Expenditures on Children by Families' index subject to State
6 appropriations for each fiscal year.

7 SECTION 10.29.(g) This section becomes effective January 1, 2009, and applies to
8 payments made on or after that date."

9 10 **TICKET TO WORK IMPLEMENTATION DATE**

11 **SECTION 10.8.** The Department of Health and Human Services shall
12 implement the Ticket to Work Program on July 1, 2008, whether or not the new MMIS
13 is operational.

14 15 **IMPLEMENTATION OF MMIS**

16 **SECTION 10.9.** The delay in implementation of the new MMIS system has
17 delayed the implementation of important programs that involve collecting premiums. In
18 order to mitigate the negative impact of the continuous delays in implementation of
19 these programs, the Department of Health and Human Services, Division of Medical
20 Assistance, shall implement the following programs in the first iteration of the new
21 MMIS, and this first iteration must have the capability of collecting premiums in order
22 that the programs may be fully implemented at the time MMIS becomes operational.

- 23 (1) Ticket to Work.
24 (2) Families pay part of the cost of services under the CAP-MR/DD and
25 CAP children's programs.
26 (3) NC Health Choice.

27 28 **MEDICAID POLICY CHANGE**

29 **SECTION 10.10.** Section 10.36(b) of S.L. 2007-323 reads as rewritten:

30 **"SECTION 10.36.(b)** Policy. –

- 31 (1) Volume purchase plans and single source procurement. – The
32 Department of Health and Human Services, Division of Medical
33 Assistance, may, subject to the approval of a change in the State
34 Medicaid Plan, contract for services, medical equipment, supplies, and
35 appliances by implementation of volume purchase plans, single source
36 procurement, or other contracting processes in order to improve cost
37 containment.
38 (2) Cost-containment programs. – The Department of Health and Human
39 Services, Division of Medical Assistance, may undertake
40 cost-containment programs, including contracting for services,
41 preadmissions to hospitals, and prior approval for certain outpatient
42 surgeries before they may be performed in an inpatient setting.
43 (3) Fraud and abuse. – The Division of Medical Assistance, Department of
44 Health and Human Services, shall provide incentives to counties that

1 successfully recover fraudulently spent Medicaid funds by sharing
2 State savings with counties responsible for the recovery of the
3 fraudulently spent funds.

- 4 (4) Medical policy. – Unless required for compliance with federal law, the
5 Department shall not change medical policy affecting the amount,
6 sufficiency, duration, and scope of health care services and who may
7 provide services until the Division of Medical Assistance has prepared
8 a five-year fiscal analysis documenting the increased cost of the
9 proposed change in medical policy and submitted it for Departmental
10 review. If the fiscal impact indicated by the fiscal analysis for any
11 proposed medical policy change exceeds three million dollars
12 (\$3,000,000) in total requirements for a given fiscal year, then the
13 Department shall submit the proposed medical policy change with the
14 fiscal analysis to the Office of State Budget and Management and the
15 Fiscal Research Division. The Department shall not implement any
16 proposed medical policy change exceeding three million dollars
17 (\$3,000,000) in total requirements for a given fiscal year unless the
18 source of State funding is identified and approved by the Office of
19 State Budget and Management. For medical policy changes exceeding
20 three million dollars (\$3,000,000) in total requirements for a given
21 fiscal year that are required for compliance with federal law, the
22 Department shall submit the proposed medical policy or policy
23 interpretation change with the fiscal analysis to the Office of State
24 Budget and Management prior to implementing the change. The
25 Department shall provide the Office of State Budget and Management
26 and the Fiscal Research Division a quarterly report itemizing all
27 medical policy changes with total requirements of less than three
28 million dollars (\$3,000,000)."
29

30 **DHHS STUDY PERFORMANCE BOND REQUIREMENT**

31 **SECTION 10.11.** The Department of Health and Human Services shall
32 study the feasibility of requiring Medicaid-enrolled providers to purchase a performance
33 bond or to submit an executed letter of credit or financial instrument as a condition of
34 initial provider enrollment, re-enrollment, or reinstatement. In conducting the study, the
35 Department shall consider the conditions under which a performance bond, letter of
36 credit, or financial instrument would be required of Medicaid providers, and the
37 conditions under which the Department should waive or limit the performance bond,
38 letter of credit, or financial instrument requirements, including the potential fiscal
39 impact of the waiver or limitation on the Medicaid program. The Department shall
40 report its findings and recommendations to the House of Representatives Appropriations
41 Subcommittee on Health and Human Services, the Senate Appropriations Committee on
42 Health and Human Services, and the Fiscal Research Division not later than January 1,
43 2009.
44

EXPAND HEALTH CHOICE/NC KIDS' CARE

SECTION 10.12. Section 10.48 of S.L. 2007-323 reads as rewritten:

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

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

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

- (2) Eligibility and benefits are not an entitlement, are for legal residents of North Carolina, and are subject to availability of State and federal funds, and State and federal requirements.
- (3) The most cost-effective use of limited State funds to offer health care services to children in families between two hundred percent (200%) and three hundred percent (300%) of the federal poverty level.
- (4) Children enrolled in the program must be ineligible for Medicaid, Medicare, or other government-sponsored health insurance. The Department shall study whether children must also be without private health insurance for a specified amount of time, e.g. six months.
- (5) The health care benefits covered in the proposed expansion program shall not exceed the benefits currently covered by the NC Health Choice.
- (6) The establishment of cost-sharing measures for the families of children with an income above two hundred percent (200%) of the federal poverty level, including:

- 1 a. A monthly premium per child that is at an optimal level that
2 simultaneously is affordable, encourages participation by
3 families, controls costs, and provides revenue to reduce the cost
4 of the program to the State. The amount of the premium may
5 increase as income increases above two hundred percent
6 (200%) of the federal poverty level.
- 7 b. Increased co-payments and cost-sharing that are affordable and
8 sufficient to control costs, while not discouraging families from
9 seeking and continuing prescribed treatment for children.
- 10 c. A deductible that is to be applied to certain health care benefits.
- 11 d. A limit on out-of-pocket expenses that is no more than five
12 percent (5%) of family income.
- 13 (7) The establishment of a comprehensive annual benefit limit per child
14 that is no more than the current annual benefit limit under NC Health
15 Choice.
- 16 (8) The most cost-effective and efficient way of administering and
17 managing enrollment in the program and the collection of premiums.
18 This may include having the current administrator of NC Health
19 Choice be the entity to collect premiums, or designating some other
20 benefit management or administrative entity to do so, including the
21 Department.

22 **SECTION 10.48.(b)** Not later than January 1, 2008, the Department shall submit
23 an interim report of its findings and recommendations to the Senate Appropriations
24 Committee on Health and Human Services, the House of Representatives
25 Appropriations Subcommittee on Health and Human Services, the Joint Legislative
26 Commission on Governmental Operations, and the Fiscal Research Division. The
27 Department shall submit its final report not later than February 1, 2008. It is the intent
28 of the General Assembly to review the Department's recommendations before the
29 Department implements a program to expand access to health insurance to children
30 above two hundred percent (200%) of the federal poverty level, ~~effective July 1, 2008,~~
31 ~~or upon approval of all required federal waivers, whichever occurs later.~~

32 **SECTION 10.48.(c)** Of the funds appropriated in this act to the Department of
33 Health and Human Services, the sum of ~~seven one million six hundred fifty-eight~~
34 ~~thousand~~ dollars ~~(\$7,000,000)~~ (\$1,658,000) for the 2008-2009 fiscal year shall be used
35 to implement a program to expand access to health insurance to children above two
36 hundred percent (200%) of the federal poverty level ~~effective July 1, 2008.~~ These funds
37 may be used to support nonrecurring start-up costs and ongoing administrative and
38 program services expenditures.

39 **SECTION 10.48.(d)** The Department of Health and Human Services, Division of
40 Medical Assistance, shall implement a health care assistance program, NC Kids' Care,
41 to provide health insurance coverage to children in families with incomes above two
42 hundred percent (200%) and not more than two hundred fifty percent (250%) of the
43 federal poverty level, by expanding the Health Insurance Program for Children
44 established under Part 8 of Article 2 of Chapter 108A of the General Statutes. Except as

1 otherwise provided, all the requirements of Part 8 of Article 2 of Chapter 108A of the
2 General Statutes shall apply to the NC Kids' Care program. The Department shall
3 submit any State Child Health Plan amendments required to implement this section.
4 Eligibility for and benefits under this program are not an entitlement and are subject to
5 availability of funds and other changes to State and federal law.

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

9 (1) Be between the ages of birth through 18 years of age;

10 (2) Be ineligible for Medicaid, Medicare, or other government sponsored
11 health insurance, except that any child covered under
12 G.S. 108A-70.21(g) as of the effective date of this section shall be
13 eligible for participation in NC Kids' Care as provided in subsection
14 (o) of this section;

15 (3) Have been uninsured for three months immediately prior to
16 enrollment; the Department may require a longer uninsured waiting
17 period if required by federal regulations;

18 (4) Be in a family whose family income is above two hundred percent
19 (200%) through two hundred fifty percent (250%) of the federal
20 poverty level;

21 (5) Be a resident of this State, meet applicable federal citizenship and
22 immigration requirements, and be eligible under federal law; and

23 (6) Have paid the monthly premiums required under this section.

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

28 **SECTION 10.48.(g) Community Care of North Carolina.** – The Department of
29 Health and Human Services shall provide services to children enrolled in the NC Kids'
30 Care program through Community Care of North Carolina and shall pay Community
31 Care of North Carolina providers a care management fee for these services as allowed
32 under Medicaid.

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

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

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

- 1 a. Enrollees whose family income is above two hundred percent
2 (200%) through two hundred twenty-five percent (225%) of the
3 federal poverty level shall pay a monthly premium not to
4 exceed thirty dollars (\$30.00) per child.
- 5 b. Enrollees whose family income is above two hundred
6 twenty-five percent (225%) through two hundred fifty percent
7 (250%) of the federal poverty level shall pay a monthly
8 premium not to exceed sixty dollars (\$60.00) per child.
- 9 (3) Co-payments. – NC Kids' Care enrollees shall be responsible for
10 co-payments to providers as follows:
- 11 a. Ten dollars (\$10.00) per child for each primary care physician
12 visit;
- 13 b. Twenty-five dollars (\$25.00) per child for each specialty care
14 physician visit;
- 15 c. Twenty-five dollars (\$25.00) per child for each physical
16 therapy, occupational therapy, or speech therapy visit;
- 17 d. Thirty dollars (\$30.00) per child for each outpatient hospital
18 visit;
- 19 e. Fifty dollars (\$50.00) per child for each inpatient hospital visit;
- 20 f. Twenty dollars (\$20.00) per child for durable medical
21 equipment, except there shall be no co-payment required for
22 diabetic supplies;
- 23 g. One hundred dollars (\$100.00) for each emergency room visit,
24 except the co-payment is waived if the enrollee is admitted to
25 the hospital;
- 26 h. One hundred fifty dollars (\$150.00) for each ambulance service,
27 except the co-payment is waived if the enrollee is admitted to
28 the hospital;
- 29 i. Outpatient prescription drugs, as follows:
- 30 1. Five dollars (\$5.00) for each generic prescription drug,
31 for each brand-name prescription drug for which there is
32 no generic substitution available, and for each covered
33 over-the-counter medication; and
- 34 2. Twenty dollars (\$20.00) for each brand-name
35 prescription drug for which there is a generic substitution
36 available.
- 37 (4) Deductible. – The Department may establish an annual deductible not
38 to exceed two hundred fifty dollars (\$250.00) per child.
- 39 (5) The Department shall establish maximum annual cost-sharing limits
40 per individual or family, provided that the total annual aggregate
41 cost-sharing, including premiums, with respect to all children in a
42 family receiving benefits under this section shall not exceed five
43 percent (5%) of the family's income for the year involved.

1 SECTION 10.48.(i) Enrollment in NC Kids' Care shall not exceed 15,000 children
2 for the 2008-2009 fiscal year. This enrollment cap shall not be exceeded even if State
3 and federal funds are available to enroll additional children for the current fiscal year.

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

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

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

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

12 '(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program
13 coverage for enrollees whose family income is at or below one hundred fifty percent
14 (150%) of the federal poverty level. The enrollment fee for Program coverage for
15 enrollees whose family income is above one hundred fifty percent (150%) through two
16 hundred percent (200%) of the federal poverty level shall be fifty dollars (\$50.00) per
17 year per child with a maximum annual enrollment fee of one hundred dollars (\$100.00)
18 for two or more children. The enrollment fee shall be collected by the county
19 department of social services and retained to cover the cost of determining eligibility for
20 services under the Program. County departments of social services shall establish
21 procedures for the collection of enrollment fees.'

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

23 '(g) Purchase of Extended Coverage. – An enrollee in the Program who loses
24 eligibility due to an increase in family income above two hundred fifty percent
25 (200%~~250%~~) of the federal poverty level and up to and including two hundred
26 twenty-five-seventy-five percent (225~~275%~~) of the federal poverty level may purchase
27 at full premium cost continued coverage under the Program for a period not to exceed
28 one year beginning on the date the enrollee becomes ineligible under the income
29 requirements for the Program. The ~~same~~ benefits, copayments, and other conditions of
30 enrollment under the Program ~~shall apply~~ applicable to extended coverage purchased
31 under this subsection shall be the same as those applicable to an NC Kids' Care enrollee
32 whose family income equals two hundred fifty percent (250%) of the federal poverty
33 level.'

34 SECTION 10.48.(o) Enrollees covered under G.S. 108A-70.21(g) prior to the
35 effective date of subsection (n) of this section may choose to continue coverage under
36 that section through the end of their buy-in coverage period or enroll in NC Kids' Care
37 provided they meet the eligibility requirements, pay the applicable premium, and notify
38 their county department of social services within 60 days of receiving notice of their
39 potential eligibility under NC Kids' Care. For any enrollee electing to transfer coverage
40 from the buy-in program to NC Kids' Care, coverage under NC Kids' Care shall become
41 effective the first day of the next month immediately following the month in which they
42 notified their county department of social services of their intent to enroll in NC Kids'
43 Care.

1 SECTION 10.48.(p) This section becomes effective April 1, 2009, or upon
2 approval of all State Child Health Plan amendments, whichever is later, and is
3 contingent upon the availability of sufficient federal funding. The Department shall not
4 apply for such amendments until the US Congress acts to reauthorize the State
5 Children's Health Insurance Program with sufficient funding to support the current
6 North Carolina program and the provisions of this section."

7
8 **NC HEALTH CHOICE TRANSITION**

9 **SECTION 10.13.(a)** G.S. 135-39.5(23), 135-39.6(d), and 135-39.6A(c) are
10 repealed.

11 **SECTION 10.13.(b)** G.S. 135-42 reads as rewritten:

12 **"§ 135-42. Undertaking Administration and processing of Program claims.**

13 (a) The State of North Carolina undertakes to make available a health insurance
14 program for children (hereinafter called the "Program") children (Program), which shall
15 be called North Carolina Health Choice for Children. The Program shall to provide
16 comprehensive acute medical care to low-income, uninsured children who are residents
17 of this State and who meet the eligibility requirements established for the Program
18 under Part 8 of Article 2 of Chapter 108A of the General Statutes. The Executive
19 Administrator and Board of Trustees of the State Health Plan for Teachers and State
20 Employees (hereinafter called the "Plan") shall administer the Program under this Part
21 and shall carry out their duties and responsibilities in accordance with Parts 2 and 3 of
22 this Article and with applicable provisions of Part 8 of Article 2 of Chapter 108A. The
23 Plan's self insured indemnity program shall not incur any financial obligations for the
24 Program in excess of the amount of funds that the Plan's self insured indemnity program
25 receives for the Program. Except as provided in this Part, the Program shall be
26 administered by the Department of Health and Human Services in accordance with Part
27 8 of Article 2 of Chapter 108A of the General Statutes and as required under applicable
28 federal law.

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

1 for its administration, claims processing, and other services delegated by the Secretary
2 to provide coverage for acute medical care for children eligible for benefits provided
3 under the Program. The Plan shall not incur any financial obligations for the Program in
4 excess of the amount of funds that the Plan receives for the Program.

5 (b) The benefits provided under the Program shall be equivalent to the Teachers'
6 and State Employees' Comprehensive Major Medical Plan (hereafter "Predecessor
7 Plan") in effect through June 30, 2008, and as provided under Part 8 of Article 2 of
8 Chapter 108A of the General Statutes. and made available through the Plan pursuant to
9 Articles 2 and 3 of this Chapter and as provided under G.S. 108A-70.21(b) and
10 administered by the Plan's Executive Administrator and Board of Trustees. To the
11 extent there is a conflict between the provisions of Part 8 of Article 2 of Chapter 108A
12 and Part 3 of this Article the Predecessor Plan pertaining to eligibility, fees, deductibles,
13 copayments, and lifetime maximum benefits, and other cost-sharing charges, the
14 provisions of Part 8 of Article 2 of Chapter 108A shall control. In administering the
15 benefits provided by this Part, the Executive Administrator and Board of Trustees shall
16 have the same type of powers and duties that are provided under Part 3 of this Article
17 the Predecessor Plan for hospital and medical benefits.

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

21 **SECTION 10.13.(c)** Part 5 of Article 3 of Chapter 135 of the General
22 Statutes is amended by adding the following new sections to read:

23 **"§ 135-43. Child health insurance fund.**

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

30 **"§ 135-44. Data reporting.**

31 The Executive Administrator and Board of Trustees of the State Health Plan for
32 Teachers and State Employees shall provide to the Department:

- 33 (1) Data as necessary and in sufficient detail to meet federal reporting
34 requirements under Title XXI; and
- 35 (2) Data showing cost-sharing paid by Program enrollees to assist the
36 Department in monitoring and ensuring that enrollees do not exceed
37 the Program's cost of sharing limitations.
- 38 (3) Data as necessary and in sufficient detail to meet the data collections
39 and reporting requirements pursuant to 108A-70.27."

40 **SECTION 10.13.(d)** G.S. 108A-70.18 reads as rewritten:

41 **"§ 108A-70.18. Definitions.**

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

- 43 (1) "Comprehensive health coverage" means creditable health coverage as
44 defined under Title XXI.

- 1 (2) "Family income" has the same meaning as used in determining
2 eligibility for the Medical Assistance Program.
- 3 (3) "FPL" or "federal poverty level" means the federal poverty guidelines
4 established by the United States Department of Health and Human
5 Services, as revised each April 1.
- 6 (4) "Medical Assistance Program" means the State Medical Assistance
7 Program established under Part 6 of Article 2 of Chapter 108A of the
8 General Statutes.
- 9 (4a) "Predecessor Plan" means the North Carolina Teachers' and State
10 Employees' Comprehensive Major Medical Plan in effect prior to July
11 1, 2008.
- 12 (5) "Program" means The Health Insurance Program for Children
13 established in this Part.
- 14 (6) "State Plan" means the State Child Health Plan for the State Children's
15 Health Insurance Program established under Title XXI.
- 16 (7) "Title XXI" means Title XXI of the Social Security Act, as added by
17 Pub. L. 105-33, 111 Stat. 552, codified in scattered sections of 42
18 U.S.C. (1997).
- 19 (8) "Uninsured" means the applicant for Program benefits is not covered
20 under any private or employer-sponsored comprehensive health
21 insurance plan on the date of enrollment."

22 **SECTION 10.13.(e)** G.S. 108A-70.20 reads as rewritten:

23 **"§ 108A-70.20. Program established.**

24 The Health Insurance Program for Children is established. The Program shall be
25 known as North Carolina Health Choice for Children, and it shall be administered by
26 the Department of Health and Human Services in accordance with this Part and as
27 required under Title XXI and related federal rules and regulations. Administration of
28 Program benefits and claims processing shall be as provided under Part 5 of Article 3 of
29 Chapter 135 of the General Statutes."

30 **SECTION 10.13.(f)** Effective July 1, 2008, G.S. 108A-70.21 reads as
31 rewritten:

32 **"§ 108A-70.21. Program eligibility; benefits; enrollment fee and other**
33 **cost-sharing; coverage from private plans; purchase of extended**
34 **coverage.**

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

- 38 (1) Children must:
- 39 a. Be between the ages of 6 through 18;
 - 40 b. Be ineligible for Medicaid, Medicare, or other federal
41 government-sponsored health insurance;
 - 42 c. Be uninsured;

- 1 d. Be in a family whose family income is above one hundred
2 percent (100%) through two hundred percent (200%) of the
3 federal poverty level;
4 e. Be a resident of this State and eligible under federal law; and
5 f. Have paid the Program enrollment fee required under this Part.
6 (2) Proof of family income and residency and declaration of uninsured
7 status shall be provided by the applicant at the time of application for
8 Program coverage. The family member who is legally responsible for
9 the children enrolled in the Program has a duty to report any change in
10 the enrollee's status within 60 days of the change of status.
11 (3) If a responsible parent is under a court order to provide or maintain
12 health insurance for a child and has failed to comply with the court
13 order, then the child is deemed uninsured for purposes of determining
14 eligibility for Program benefits if at the time of application the
15 custodial parent shows proof of agreement to notify and cooperate
16 with the child support enforcement agency in enforcing the order.

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

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

29 (b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles,
30 copayments, and other cost-sharing charges, health benefits coverage provided to
31 children eligible under the Program shall be equivalent to coverage provided for
32 dependents under the ~~State Health Plan for Teachers and State Employees, including~~
33 ~~optional prepaid plans.~~ Predecessor Plan.

34 In addition to the benefits provided under the ~~Plan,~~ Predecessor Plan, the following
35 services and supplies are covered under the Health Insurance Program for Children
36 established under this Part:

- 37 (1) Dental: Oral examinations, teeth cleaning, and scaling twice during a
38 12-month period, full mouth X-rays once every 60 months,
39 supplemental bitewing X-rays showing the back of the teeth once
40 during a 12-month period, fluoride applications twice during a
41 12-month period, fluoride varnish, sealants, simple extractions,
42 therapeutic pulpotomies, prefabricated stainless steel crowns, and
43 routine fillings of amalgam or other tooth-colored filling material to
44 restore diseased teeth. No benefits are to be provided for services and

1 ~~materials under this subsection that are not performed by or upon the~~
2 ~~direction of a dentist, doctor, or other professional provider approved~~
3 ~~by the Plan nor for services and materials that do not meet the~~
4 standards accepted by the American Dental Association.

5 (2) Vision: Scheduled routine eye examinations once every 12 months,
6 eyeglass lenses or contact lenses once every 12 months, routine
7 replacement of eyeglass frames once every 24 months, and optical
8 supplies and solutions when needed. Optical services, supplies, and
9 solutions must be obtained from licensed or certified ophthalmologists,
10 optometrists, or optical dispensing laboratories. Eyeglass lenses are
11 limited to single vision, bifocal, trifocal, or other complex lenses
12 necessary for a Plan enrollee's visual welfare. Coverage for oversized
13 lenses and frames, designer frames, photosensitive lenses, tinted
14 contact lenses, blended lenses, progressive multifocal lenses, coated
15 lenses, and laminated lenses is limited to the coverage for single
16 vision, bifocal, trifocal, or other complex lenses provided by this
17 subsection. Eyeglass frames are limited to those made of zylonite,
18 metal, or a combination of zylonite and metal. All visual aids covered
19 by this subsection require ~~prior approval of the Plan. Upon prior~~
20 ~~approval by the Plan, prior approval. Upon prior approval~~ refractions
21 may be covered more often than once every 12 months.

22 (3) Hearing: Auditory diagnostic testing services and hearing aids and
23 accessories when provided by a licensed or certified audiologist,
24 otolaryngologist, or other approved hearing aid specialist approved by
25 ~~the Plan. Prior approval of the Plan specialist. Prior approval is~~
26 required for hearing aids, accessories, earmolds, repairs, loaners, and
27 rental aids.

28 (4) Over-the-counter medications: Selected over-the-counter medications
29 provided the medication is covered under the State Medical Assistance
30 Plan. Coverage shall be subject to the same policies and approvals as
31 required under the Medicaid program.

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

36 (b1) Payments. – Prescription drug providers shall accept as payment in full, for
37 outpatient prescriptions filled, amounts allowable for prescription drugs under
38 Medicaid. For all other providers, ~~effective no later than January 1, 2006, services~~
39 provided to children enrolled in the Program shall be provided at rates equivalent to one
40 hundred ~~fifteen percent (115%)~~ percent (100%) of Medicaid rates, less any co-payments
41 assessed to enrollees under this Part. ~~Effective July 1, 2006, services provided to these~~
42 ~~children shall be provided at rates equivalent to one hundred percent (100%) of~~
43 ~~Medicaid rates, less any co-payments assessed to enrollees under this Part. Effective~~
44 ~~until rates equivalent to one hundred fifteen percent (115%) of Medicaid rates become~~

1 effective, providers of services to Program enrollees shall accept as payment in full for
2 services rendered the maximum allowable charges under the State Health Plan for
3 Teachers and State Employees for services less any co-payments assessed to enrollees
4 under this Part.

5 (c) Annual Enrollment Fee. – There shall be no enrollment fee for Program
6 coverage for enrollees whose family income is at or below one hundred fifty percent
7 (150%) of the federal poverty level. The enrollment fee for Program coverage for
8 enrollees whose family income is above one hundred fifty percent (150%) of the federal
9 poverty level shall be fifty dollars (\$50.00) per year per child with a maximum annual
10 enrollment fee of one hundred dollars (\$100.00) for two or more children. The
11 enrollment fee shall be collected by the county department of social services and
12 retained to cover the cost of determining eligibility for services under the Program.
13 County departments of social services shall establish procedures for the collection of
14 enrollment fees.

15 (d) Cost-Sharing. – There shall be no deductibles, copayments, or other
16 cost-sharing charges for families covered under the Program whose family income is at
17 or below one hundred fifty percent (150%) of the federal poverty level, except that fees
18 for outpatient prescription drugs are applicable and shall be one dollar (\$1.00) for each
19 outpatient generic prescription ~~drug and drug~~, for each outpatient brand-name
20 prescription drug for which there is no generic substitution ~~available~~available, and for
21 each covered over-the-counter medication. The fee for each outpatient brand-name
22 prescription drug for which there is a generic substitution available is three dollars
23 (\$3.00). Families covered under the Program whose family income is above one
24 hundred fifty percent (150%) of the federal poverty level shall be responsible for
25 copayments to providers as follows:

- 26 (1) Five dollars (\$5.00) per child for each visit to a provider, except that
27 there shall be no copayment required for well-baby, well-child, or
28 age-appropriate immunization services;
- 29 (2) Five dollars (\$5.00) per child for each outpatient hospital visit;
- 30 (3) A one dollar (\$1.00) fee for each outpatient generic prescription ~~drug~~
31 ~~and drug~~, for each outpatient brand-name prescription drug for which
32 there is no generic substitution ~~available~~available, and for each
33 covered over-the-counter medication. The fee for each outpatient
34 brand-name prescription drug for which there is a generic substitution
35 available is ten dollars (\$10.00).
- 36 (4) Twenty dollars (\$20.00) for each emergency room visit unless:
37 a. The child is admitted to the hospital, or
38 b. No other reasonable care was available as determined by the
39 ~~Claims Processing Contractor of the State Health Plan for~~
40 ~~Teachers and State Employees~~Department.

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

43 (e) Cost-Sharing Limitations. – The total annual aggregate cost-sharing,
44 including fees, with respect to all children in a family receiving Program benefits under

1 this Part shall not exceed five percent (5%) of the family's income for the year involved.
2 ~~To assist the Department in monitoring and ensuring that the limitations of this~~
3 ~~subsection are not exceeded, the Executive Administrator and Board of Trustees of the~~
4 ~~State Health Plan for Teachers and State Employees shall provide data to the~~
5 ~~Department showing cost-sharing paid by Program enrollees.~~

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

- 10 (1) The person eligible for Program coverage requests to obtain dependent
11 coverage from a private insurer in lieu of coverage under the Program
12 and shows proof that coverage under the private plan selected meets
13 the requirements of this subsection;
- 14 (2) The dependent coverage under the private plan is actuarially
15 equivalent to the coverage provided under the Program and the private
16 plan does not engage in the exclusive enrollment of children with
17 favorable health care risks;
- 18 (3) The cost of dependent coverage under the private plan is the same as
19 or less than the cost of coverage under the Program; and
- 20 (4) The total annual aggregate cost-sharing, including fees, paid by the
21 enrollee under the private plan for all dependents covered by the plan,
22 do not exceed five percent (5%) of the enrollee's family income for the
23 year involved.

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

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

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

38 (i) No Lifetime Maximum Benefit Limit. – Benefits provided to an enrollee in
39 the Program shall not be subject to a maximum lifetime limit."

40 **SECTION 10.13.(g)** G.S. 108A-70.22 is repealed.

41 **SECTION 10.13.(h)** G.S. 108A-70.23 reads as rewritten:

42 **"§ 108A-70.23. Services for children with special needs established; definition;**
43 **eligibility; services; limitation; recommendations; no entitlement.**

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

- 9 (1) Birth defect, including genetic, congenital, or acquired disorders;
- 10 (2) Developmental disability as defined under G.S. 122C-3;
- 11 (3) Mental or behavioral disorder; or
- 12 (4) Chronic and complex illnesses.

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

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

- 17 (1) The same level of services as provided for special needs children under
18 the Medical Assistance Program as authorized in the Current
19 Operations Appropriations Act except that:
 - 20 a. No services for long-term care shall be provided under this
21 section;
 - 22 b. Services for respite care shall be provided only under
23 emergency circumstances; and
 - 24 c. The Department may limit services for special needs children
25 after consultation with the Commission on Children with
26 Special Health Care Needs.
- 27 (2) Only those services eligible under this section that are not covered or
28 otherwise provided under ~~Part 5 of Article 3 of Chapter 135 of the~~
29 ~~General Statutes; the Predecessor Plan.~~

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

35 (e) Case Management Services. – The Department shall develop procedures for
36 the provision of case management services by the Department to eligible special needs
37 children. Case management services shall be developed to ensure to the maximum
38 extent possible that services are provided in the most efficient and effective manner
39 considering the special needs of the child. The cost of providing case management
40 services for children with special needs shall be paid from funds available for services
41 under this section.

42 (f) Recommendations by Commission on Children With Special Health Care
43 Needs. – In implementing this section the Department shall consider the
44 recommendations of the Commission on Children With Special Health Care Needs

1 established under Article 71 of Chapter 143 of the General Statutes. The Department, in
 2 consultation with the Commission on Children With Special Health Care Needs shall
 3 develop procedures for providing respite care services under emergency circumstances.

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

6 **SECTION 10.13.(i)** G.S. 108A-70.24 is repealed.

7 **SECTION 10.13.(j)** G.S. 108A-27(c) reads as rewritten:

8 **"§ 108A-70.27. Data collection; reporting.**

9 ...

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

18 **SECTION 10.13.(k)** Effective July 1, 2009, G.S. 108A-70.21(b)(1), as
 19 amended by subsection (g) of this section, reads as rewritten:

20 **"§ 108A-70.21. Program eligibility; benefits; enrollment fee and other**
 21 **cost-sharing; coverage from private plans; purchase of extended**
 22 **coverage.**

23 ...

24 (b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles,
 25 copayments, and other cost-sharing charges, health benefits coverage provided to
 26 children eligible under the Program shall be equivalent to coverage provided for
 27 dependents under the Predecessor Plan.

28 In addition to the benefits provided under the Predecessor Plan, dental services and
 29 supplies as follows:

30 (1) ~~Dental:~~ Oral examinations, teeth cleaning, and sealing ~~topical fluoride~~
 31 treatments twice during a 12-month period, full mouth X-rays once
 32 every 60 months, supplemental bitewing X-rays showing the back of
 33 the teeth once during a 12-month period, ~~fluoride applications twice~~
 34 ~~during a 12-month period, fluoride varnish, sealants, simple~~
 35 ~~extractions, sealants, extractions, other than impacted teeth or wisdom~~
 36 teeth, therapeutic pulpotomies, space maintainers, root canal therapy
 37 for permanent anterior teeth and permanent first molars, prefabricated
 38 stainless steel crowns, and routine fillings of amalgam or other
 39 tooth-colored filling material to restore diseased teeth.

40 (1a) Orthognathic surgery to correct functionally impairing malocclusions
 41 when orthodontics was approved and initiated while the child was
 42 covered by Medicaid and the need for orthognathic surgery was
 43 documented in the orthodontic treatment plan.

1 No benefits are to be provided for services and materials under this subsection that
2 do not meet the standards accepted by the American Dental Association."

3 **SECTION 10.13.(l)** The Secretary of the Department of Health and Human
4 Services shall develop and implement a plan for assuming administrative responsibility
5 for the North Carolina Health Choice for Children program by transitioning all
6 administrative oversight and claims processing activities from the Executive
7 Administrator and Board of Trustees of the State Health Plan for Teachers and State
8 Employees to the Division of Medical Assistance no later than July 1, 2010. The
9 Secretary shall report to the Joint Legislative Health Care Oversight Committee and the
10 Committee on Employee Hospital and Medical Benefits at least 30 days prior to
11 effecting the transition of some or all of the responsibilities for the administration and
12 processing of claims for benefits provided under the North Carolina Health Choice for
13 Children program from the Executive Administrator and Board of Trustees of the State
14 Health Plan for Teachers and State Employees to the Department.

15 **SECTION 10.13.(m)** The Secretary of the Department of Health and Human
16 Services shall develop a plan to ensure operation of the most cost-effective program on
17 a long term basis, including identifying a new third party administrator and restructuring
18 the benefits design for the North Carolina Health Choice program, if necessary, and
19 provide a progress report to the General Assembly by May 15, 2009. The following
20 factors should be considered in identifying and evaluating alternatives for a long-term
21 claims processing solution:

- 22 (1) The ability of the State and the amount of time required to realize a
23 return on its investment in the BCBSNC Power MHS system (i.e., the
24 cost to the State to move NCHC claims processing from the Legacy
25 System to MHS).
- 26 (2) The operational efficiency of the BCBSNC Power MHS system as an
27 interim solution.
- 28 (3) The amount of time, transition and operating costs required to select a
29 new vendor and develop, design, and implement an independent
30 claims processing system for NC Health Choice.
- 31 (4) Likely operational issues and additional costs associated with ensuring
32 compatibility of an independent claims processing system with the
33 MMIS replacement system.
- 34 (5) The amount of time, transition, and operating costs required to modify
35 and enhance the core MMIS replacement system to process NC Health
36 Choice claims.
- 37 (6) The impact of decisions related to the benefit structure and coverage
38 policies, including the ability to implement future program changes.
- 39 (7) Any other factors or issues related to ensuring long-term
40 cost-effectiveness and operating efficiency of claims processing and
41 other administrative activities for NC Health Choice.

42 **SECTION 10.13.(n)** Subsections (a) through (c) and subsections (e) through
43 (k) of this section become effective July 1, 2008. Subsection (b) of this section sunsets
44 July 1, 2010. The remainder of this section is effective when this act becomes law.

HEALTH CHOICE ENROLLMENT GROWTH CAP

SECTION 10.14.(a) Section 10.47 of S.L. 2007-323 is repealed.

SECTION 10.14.(b) The Department of Health and Human Services may, in the NC Health Choice Program for the 2008-2009 fiscal year, allow up to eight and seventy-three hundredths percent (8.73%) enrollment growth over the number of children enrolled in the NC Health Choice Program on June 30, 2008. This limitation on enrollment growth may not be exceeded even if State and federal funds are available for the 2008-2009 fiscal year to enroll additional children for that fiscal year.

SECTION 10.14.(c) On January 15, 2009, or upon the convening of the 2009 General Assembly, whichever occurs later, the Department of Health and Human Services shall report to the 2009 General Assembly. The report shall provide the following information:

- (1) The number of children that were enrolled in NC Health Choice in the first week of January 2009, based on the January Pull-Night data; and
- (2) Projected enrollment and program costs for each of the remaining six months of the 2008-2009 fiscal year. The projected enrollment shall be based on NC Health Choice enrollment data and program costs from the immediately preceding five fiscal years.

The Department shall submit the report to the Chairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.14.(d) If the report submitted pursuant to subsection (c) of this section indicates, or if the Department becomes later aware that growth in NC Health Choice enrollment for the 2008-2009 fiscal year will exceed the maximum eight and seventy-three hundredths percent (8.73%) growth allowed under subsection (a) of this section, then the Department shall notify the Centers for Medicare and Medicaid Services (CMS) that it anticipates a freeze on enrolling new enrollees. The Department will continue to provide monthly reports to the chairs of the House of Representatives Committee on Appropriations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Office of State Budget and Management, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division. If enrollment in NC Health Choice continues to follow the Department's projections that the eight and seventy-three hundredths percent (8.73%) cap will be exceeded, then the Department shall formally notify CMS, the Chairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division of a freeze on new enrollees.

MENTAL HEALTH CHANGES

1 **SECTION 10.15.(a)** For the purpose of mitigating cash-flow problems that
2 many non-single-stream local management entities (LMEs) experience at the beginning
3 of each fiscal year, the Department of Health and Human Services, Division of Mental
4 Health, Developmental Disabilities, and Substance Abuse Services, shall adjust the
5 timing and method by which allocations of service dollars are distributed to each
6 non-single-stream LME. To this end, the allocations shall be adjusted such that at the
7 beginning of the fiscal year the Department shall distribute not less than one-twelfth of
8 the LME's continuation allocation and subtract the amount of the adjusted distribution
9 from the LME's total reimbursements for the fiscal year.

10 **SECTION 10.15.(b)** There is appropriated from the General Fund to the
11 Department of Health and Human Services, Division of Mental Health, Developmental
12 Disabilities, and Substance Abuse Services, the sum of two million dollars (\$2,000,000)
13 for the 2008-2009 fiscal year. These funds shall be used to support LMEs in
14 establishing additional regionally purchased and locally hosted substance abuse
15 programs. Funds appropriated shall be for the purpose of developing and enhancing the
16 American Society of Addiction Medicine (ASAM) continuum of care at the community
17 level. The Department of Health and Human Services shall work with LMEs in
18 establishing these programs. LMEs shall report to the Department of Health and
19 Human Services on the LME's use of the funds. Reporting dates and frequency shall be
20 as determined by the Department.

21 **SECTION 10.15.(c)** The Department shall encourage the conversion of the
22 remaining non-single-stream LMEs to single-stream funding as soon as possible. The
23 Department shall develop prompt-pay guidelines as part of single-stream funding
24 requirements. The Department shall also develop standards for the removal of
25 single-stream designation for those LMEs that do not continue to comply with the
26 applicable requirements for single-stream funding, except that the Department's
27 requirements shall allow for LMEs in the first year of single-stream funding to have a
28 six-month grace period to comply with the requirements from the time the LME begins
29 single-stream funding. For its report on performance measures, the Department shall
30 include a matrix by LME and performance measure of those LMEs that are not meeting
31 the performance measure.

32 **SECTION 10.15.(d)** The Department of Health and Human Services shall
33 simplify the current State Integrated Payment and Reporting System (IPRS) to
34 encourage more providers to serve State-paid clients. This effort shall include working
35 with LMEs to develop billing codes for relevant activities currently lacking such codes.

36 **SECTION 10.15.(e)** The Department of Health and Human Services shall
37 consult with LMEs and service providers to determine why there have been under- and
38 over-expenditure of State service dollars by LMEs and shall take the action necessary to
39 address the problem. In making its determination, the Department shall work with
40 LMEs and providers. Not later than January 1, 2009, the Department shall report to the
41 House of Representatives Appropriations Subcommittee on Health and Human
42 Services, the Senate Appropriations Committee on Health and Human Services, the
43 Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental
44 Health, Developmental Disabilities, and Substance Abuse Services on actions taken to

1 address the problem of LME under- and over-expenditure of service dollars. The report
2 shall include legislative action needed to address the problem.

3 **SECTION 10.15.(f)** The Department shall perform a services gap analysis
4 of the Mental Health, Developmental Disabilities, and Substance Abuse Services
5 System. The Department of Health and Human Services shall involve LMEs in
6 performing the gap analysis. The Department shall not contract with an independent
7 entity to perform the gap analysis. The Department shall report the results of its
8 analysis to the House of Representatives Appropriations Subcommittee on Health and
9 Human Services, the Senate Appropriations Committee on Health and Human Services,
10 the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental
11 Health, Developmental Disabilities, and Substance Abuse Services not later than
12 January 1, 2010.

13 **SECTION 10.15.(g)** In order to temporarily address high admissions to
14 adult acute unit beds in the State psychiatric hospitals, the Secretary of the Department
15 of Health and Human Services may, notwithstanding G.S. 122C-181 and
16 G.S. 122C-112.1(a)(30), open and operate on a temporary basis up to 60 beds at the
17 Central Regional Hospital Wake Unit on the Dorothea Dix Campus and may maintain
18 the Wake Unit on the Dix Campus until beds become available in the system. Section
19 10.49(t) of S.L. 2007-323 does not apply to this subsection.

20 **SECTION 10.15.(h)** Onetime funds appropriated for the Dorothea Dix
21 Hospital overflow unit shall be used to support the temporary opening and operation of
22 the Central Regional Hospital Wake Unit on the Dorothea Dix Campus. It is the intent
23 of the General Assembly to fund the Wake Unit for three years.

24 **SECTION 10.15.(i)** Of the funds appropriated in this act to the Department
25 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
26 and Substance Abuse Services, for mobile crisis teams, the sum of five million seven
27 hundred fifty-five thousand dollars (\$5,755,000) shall be distributed to LMEs to support
28 30 mobile crisis teams according to the Cross-Area Service Program model. The new
29 mobile crisis units shall be distributed across the State according to need as determined
30 by the Department.

31 **SECTION 10.15.(j)** Of the funds appropriated in this act to the Department
32 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
33 and Substance Abuse Services, the sum of eight million dollars (\$8,000,000) shall be
34 allocated for ten thousand local inpatient psychiatric bed days. These funds shall be
35 distributed across the State according to need as determined by the Department. These
36 funds may also be used for detoxification bed days. Notwithstanding any other
37 provision of law to the contrary, the Department may pay the hospitals directly for these
38 beds, but shall transfer the funds to the LMEs for payment to the hospitals at such time
39 as the LMEs have the capacity of managing these funds.

40 **SECTION 10.15.(k)** Of the funds appropriated in this act to the Department
41 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
42 and Substance Abuse Services, the sum of three million four hundred forty-four
43 thousand one hundred forty-seven dollars (\$3,444,147) shall be allocated for the
44 START crisis model for developmental disability services. These funds shall be

1 distributed to LMEs to support nine crisis teams according to the Cross-Area Service
2 Program model. The new crisis teams shall be distributed across the State according to
3 need as determined by the Department.

4 **SECTION 10.15.(l)** Of the funds appropriated in this act to the Department
5 of Health and Human Services, Division of Mental Health, Developmental Disabilities,
6 and Substance Abuse Services, the sum of six million one hundred thirteen thousand
7 nine hundred forty-seven dollars (\$6,113,947) shall be allocated for walk-in crisis and
8 immediate psychiatric aftercare and shall be distributed to the LMEs to support 30
9 psychiatrists and related support staff. Of these funds, the sum of one million six
10 hundred fifty thousand dollars (\$1,650,000) shall be used for telepsychiatry equipment
11 owned by the LMEs.

12 **SECTION 10.15.(m)** The independent and supportive living apartments for
13 persons with disabilities constructed from funds appropriated in this act for that purpose
14 shall be affordable to persons with incomes at the Supplemental Security Income (SSI)
15 level.

16 **SECTION 10.15.(n)** The Department of Health and Human Services,
17 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
18 shall implement the tiered CAP-MR/DD waiver program in accordance with Section
19 10.49(dd) of S.L. 2007-323. The Department shall implement the program with four
20 tiers: (i) up to fifteen thousand dollars (\$15,000); (ii) between fifteen thousand one
21 dollars (\$15,001) and forty-five thousand dollars (\$45,000); (iii) between forty-five
22 thousand one dollars (\$45,001) and seventy-five thousand dollars (\$75,000); and (iv)
23 between seventy-five thousand one dollars (\$75,001) and one hundred thousand dollars
24 (\$100,000). The Department shall review on a case-by-case basis tier funding in excess
25 of one hundred thousand dollars (\$100,000) and may authorize the excess amount based
26 on standards adopted by the Department.

27 **SECTION 10.15.(o)** Of the funds appropriated in this act to the Department
28 of Health and Human Services, Division of Medical Assistance, for the 2008-2009
29 fiscal year for additional CAP-MR/DD slots, the sum of eight million two hundred
30 thirty-two thousand four hundred eleven dollars (\$8,232,411) shall be used for tier one
31 slots as described under subsection (l) of this section. In addition, these funds shall be
32 allocated to fund CAP-MR/DD slots statewide, including slots managed under the North
33 Carolina CAP-MR/DD 1915(c) Medicaid waiver and slots managed under the North
34 Carolina Piedmont Behavioral Health Care 1915(b) and (c) Medicaid waiver.

35 **SECTION 10.15.(p)** The Department of Health and Human Services shall
36 implement a plan to catch up Piedmont Behavioral Health (PBH) CAP-MR/DD slots to
37 the State average such that one percent (1%) of the funds for turnover CAP-MR/DD
38 slots shall be transferred each year to PBH until PBH CAP-MR/DD slots reach the State
39 per capita average of slots.

40 **SECTION 10.15.(q)** The North Carolina Institute of Medicine (IOM) shall
41 study and report on the transition for persons with developmental disabilities from one
42 life setting to another, including barriers to transition and best practices in successful
43 transitions. The IOM should conduct this study using funds appropriated for IOM
44 studies in the 2007 Session. The study should encompass at least the following topics:

1 (i) the transition for adolescents leaving high school, including adolescents in foster care
2 and those in other settings; (ii) the transition for persons with developmental disabilities
3 who live with aging parents; and (iii) the transition from the developmental centers to
4 other settings.

5 **SECTION 10.15.(r)** The Department of Health and Human Services shall
6 review State-County Special Assistance rates to develop an appropriate rate for special
7 care units for persons with a mental health disability, including individuals with
8 Traumatic Brain Injury (TBI), and shall review current rules pertaining to special care
9 units for persons with a mental health disability to determine if additional standards are
10 necessary. The Department shall report its findings and recommendations to the House
11 of Representatives Appropriations Subcommittee on Health and Human Services, the
12 Senate Appropriations Committee on Health and Human Services, the Joint Legislative
13 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
14 Abuse Services, and the Fiscal Research Division not later than January 1, 2009.

15 **SECTION 10.15.(s)** The Department of Health and Human Services shall
16 ensure that veterans and their families comprise one of the target populations for mental
17 health, developmental disabilities, and substance abuse services in order that this
18 population is eligible for existing funding.

19 **SECTION 10.15.(t)** In order to ensure accountability for services provided
20 and funds expended for community services, the Department of Health and Human
21 Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse
22 Services, shall develop a tiered rate structure to replace the blended rate currently used
23 for community support services. Under the new tiered structure, services that are
24 necessary but do not require the skill, education, or knowledge of a qualified
25 professional should not be paid at the same rate as services provided by qualified skilled
26 professionals. The Department shall not implement the tiered rate structure until 15
27 days after it has notified the House of Representatives Appropriations Subcommittee on
28 Health and Human Services, the Senate Appropriations Committee on Health and
29 Human Services, and the Joint Legislative Oversight Committee on Mental Health,
30 Developmental Disabilities, and Substance Abuse Services. The Department shall report
31 on the development of the structure to the Joint Legislative Oversight Committee on
32 Mental Health, Developmental Disabilities, and Substance Abuse Services not later than
33 October 1, 2008.

34 **SECTION 10.15.(u)** The lead paragraph of Section 10.49(ee) of S.L.
35 2007-323 reads as rewritten:

36 **"SECTION 10.49.(ee)** ~~For~~This subsection does not apply to community support
37 services offered under a Medicaid managed care, capitated, at-risk waiver. For all other
38 community support services, for the purpose of avoiding overutilization of community
39 support services and overexpenditure of funds for these services, the Department of
40 Health and Human Services shall immediately conduct an in-depth evaluation of the use
41 and cost of community support services to identify existing and potential areas of
42 overutilization and overexpenditure. The Department shall also adopt or revise as
43 necessary management policies and practices that will ensure that at a minimum:"

1 **SECTION 10.15.(v)** The Department of Health and Human Services,
2 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
3 shall develop a service authorization process that separates the assessment function
4 from the service delivery function whenever possible to avoid self-referral and that
5 requires a comprehensive clinical assessment to be completed by a licensed clinician
6 prior to service delivery. The Department shall require that the licensed professional
7 that signs a medical order for behavioral health services must indicate on the order
8 whether the licensed professional (i) has had direct contact with the consumer, and (ii)
9 has reviewed the consumer's assessment. The Department shall report on the
10 development of the service authorization process to the Joint Legislative Oversight
11 Committee on Mental Health, Developmental Disabilities, and Substance Abuse
12 Services not later than October 1, 2008. The Department shall not implement the
13 service authorization process until 15 days after it has notified the House of
14 Representatives Appropriations Subcommittee on Health and Human Services, the
15 Senate Appropriations Committee on Health and Human Services, and the Joint
16 Legislative Oversight Committee on Mental Health, Developmental Disabilities, and
17 Substance Abuse Services

18 **SECTION 10.15.(w)** The Department of Health and Human Services shall
19 develop a plan to return the service authorization, utilization review, and utilization
20 management functions to LMEs for all clients. Not later than February 1, 2009, the
21 Department shall report on the development of the plan to the House of Representatives
22 Appropriations Subcommittee on Health and Human Services, the Senate
23 Appropriations Committee on Health and Human Services, the Joint Legislative
24 Oversight Committee on Mental Health, Developmental Disabilities, and Substance
25 Abuse Services, and the Fiscal Research Division. Not later than July 1, 2009,
26 utilization review, utilization management, and service authorization for publicly
27 funded mental health, developmental disabilities, and substance abuse services should
28 be returned to LMEs representing in total at least fifty percent (50%) of the State's
29 population. The Department shall comply with the requirements of S.L. 2007-323,
30 Section 10.49(ee). The Department shall not contract with an outside vendor for
31 service authorization, utilization review, or utilization management functions, or
32 otherwise obligate the State for these functions beyond September 30, 2009. The
33 Department shall require LMEs to include in their service authorization, utilization
34 management, and utilization review a review of assessments, as well as person-centered
35 plans and random or triggered audits of services and assessments.

36 **SECTION 10.15.(x)** The Department of Health and Human Services,
37 Division of Mental Health, Developmental Disabilities, and Substance Abuse Services,
38 shall study Medicaid waivers, including 1915(b) and (c) waivers, for all LMEs. In cases
39 where Medicaid waivers are not appropriate for an LME, the Department shall identify
40 and recommend strategies to increase LME flexibility to provide case management,
41 assessment, limit provider networks, or other innovative approach for managing care.
42 Not later than March 1, 2009, the Department shall report its findings and
43 recommendations to the House of Representatives Appropriations Subcommittee on
44 Health and Human Services, the Senate Appropriations Committee on Health and

1 Human Services, the Joint Legislative Oversight Committee on Mental Health,
2 Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research
3 Division.

4 **SECTION 10.15.(y)** The Piedmont Behavioral Health (PBH) local
5 management entity (LME) shall be deemed by the Department as a demonstration
6 model in the PBH LME catchment area. The Department shall also adopt as part of the
7 demonstration model the PBH 1915(b) and 1915(c) Medicaid waivers, and
8 single-stream funding for State services funds, which include funds previously
9 transferred from State institution budgets.

10 **SECTION 10.15.(z)** The Secretary of the Department of Health and Human
11 Services shall not take any action prior to January 1, 2010, that would result in the
12 merger or consolidation of LMEs operating on January 1, 2008, or that would establish
13 consortia or regional arrangements for the same purpose, except that:

- 14 (1) LMEs that do not meet the catchment area requirements of
15 G.S. 122C-115 as of January 1, 2008, may initiate, continue, or
16 implement the LMEs' merger or consolidation plans to overcome
17 noncompliance with G.S. 122C-115, and
- 18 (2) The Guilford Center for Behavioral Health and Disability Services, the
19 Smoky Mountain Center, and the Mecklenburg County Area Mental
20 Health, Developmental Disability and Substance Abuse Authority may
21 continue with or implement the proposed administrative service
22 organization under development as of March 1, 2008, for merger or
23 consolidation of any combination of these entities.

24 **SECTION 10.15.(aa)** If the Secretary of the Department of Health and
25 Human Services desires to merge LMEs, the Secretary shall develop a detailed plan for
26 General Assembly review on its recommendation to merge, consolidate, or establish
27 regional arrangements or consortia of LMEs. In developing the plan, the Secretary shall
28 consult with LMEs to obtain input on the feasibility and effectiveness of potential
29 mergers and the time frame needed to fully implement the mergers, regional
30 arrangements, or consortia at the local level. The Secretary shall provide the plan to the
31 House of Representatives Appropriations Subcommittee on Health and Human
32 Services, the Senate Appropriations Committee on Health and Human Services, the
33 Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities,
34 and Substance Abuse Services, and the Fiscal Research Division not later than March
35 1, 2009.

36 37 **NON-MEDICAID REIMBURSEMENT CHANGES**

38 **SECTION 10.16.** Section 10.5 of S.L. 2007-323 reads as rewritten:

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

42 The Department of Health and Human Services may reimburse hospitals at the full
43 prospective per diem rates without regard to the Medical Assistance Program's annual
44 limits on hospital days. When the Medical Assistance Program's per diem rates for

1 inpatient services and its interim rates for outpatient services are used to reimburse
2 providers in non-Medicaid medical service programs, retroactive adjustments to claims
3 already paid shall not be required.

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

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

14	DSB Medical Eye Care	125% FPL
15	DSB Independent Living <55	125% FPL
16	DSB Independent Living 55>	200% FPL
17	DSB Vocational Rehabilitation	125% FPL
18	DVR Independent Living	125% FPL
19	DVR Vocational Rehabilitation	125% FPL

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

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

31	<u>Income</u>	<u>State Participation</u>	<u>Client Participation</u>
32	(% of poverty)		
33	0-150%	100%	0%
34	151-200%	75%	25%
35	201-250%	50%	50%
36	251-300%	25%	75%
37	300% and over	0%	100%

38 The Department of Health and Human Services shall contract at, or as close as
39 possible to, Medicaid rates for medical services provided to residents of State facilities
40 of the Department."
41

42 **DHHS BLOCK GRANTS**

43 **SECTION 10.17.(a)** Appropriations from federal block grant funds are
44 made for the fiscal year ending June 30, 2009, according to the following schedule:

1
2 TEMPORARY ASSISTANCE TO NEEDY FAMILIES
3 (TANF) BLOCK GRANT

4
5 Local Program Expenditures

6
7 Division of Social Services

8
9 01. Work First Family Assistance (Cash Assistance) \$90,857,234

10
11 02. Work First County Block Grants 94,653,315

12
13 03. Work First Functional Assessment 2,721,787

14
15 04. Child Protective Services – Child Welfare
16 Workers for Local DSS 14,452,391

17
18 05. Work First – Boys and Girls Clubs 2,000,000

19
20 06. Work First – After-School Services for
21 At-Risk Children 2,249,642

22
23 07. Work First – After-School Programs for
24 At-Risk Youth in Middle Schools 500,000

25
26 08. Work First – Connect, Inc. 550,000

27
28 09. Adoption Services – Special Children's
29 Adoption Fund 3,000,000

30
31 10. Family Violence Prevention 2,200,000

32
33 Division of Child Development

34
35 11. Subsidized Child Care Program 60,587,077

36
37 Division of Public Health

38
39 12. Teen Pregnancy Prevention Initiatives 450,000

40
41 DHHS Administration

42
43 13. Division of Social Services 995,142

1	14.	Office of the Secretary	66,101
2			
3	15.	Office of the Secretary/DIRM – TANF	
4		Automation Projects	595,541
5			
6	16.	Office of the Secretary/DIRM – NC FAST	
7		Implementation	1,800,000
8			
9	Transfers to Other Block Grants		
10			
11	Division of Child Development		
12			
13	17.	Transfer to the Child Care and	
14		Development Fund	84,330,900
15			
16	Division of Social Services		
17			
18	18.	Transfer to Social Services Block Grant for	
19		Department of Juvenile Justice and Delinquency	
20		Prevention – Support Our Students	2,749,642
21			
22	19.	Transfer to Social Services Block Grant for Child	
23		Protective Services – Child Welfare Training in	
24		Counties	2,738,827
25			
26	20.	Transfer to Social Services Block Grant for	
27		Maternity Homes	838,000
28			
29	21.	Transfer to Social Services Block Grant for Teen	
30		Pregnancy Prevention Initiatives	2,500,000
31			
32	22.	Transfer to Social Services Block Grant for County	
33		Departments of Social Services for Children's Services	4,620,619
34			
35	23.	Transfer to Social Services Block Grant for	
36		Foster Care Services	2,371,957
37			
38	24.	Transfer to Social Services Block Grant for	
39		Medically Fragile Children	190,000
40			
41	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES		
42	(TANF) BLOCK GRANT		
43			\$378,018,805
44	SOCIAL SERVICES BLOCK GRANT		

1		
2	Local Program Expenditures	
3		
4	Divisions of Social Services and Aging and Adult Services	
5		
6	01. County Departments of Social Services	\$ 28,868,189
7	(Transfer from TANF – \$4,620,619)	
8		
9	02. State In-Home Services Fund	2,101,113
10		
11	03. State Adult Day Care Fund	2,155,301
12		
13	04. Child Protective Services/CPS Investigative	
14	Services-Child Medical Evaluation Program	238,321
15		
16	05. Foster Care Services	2,371,957
17	(Transfer from TANF)	
18		
19	06. Child Protective Services-Child Welfare Training	
20	for Counties	2,738,827
21	(Transfer from TANF)	
22		
23	07. Maternity Homes	838,000
24	(Transfer from TANF)	
25		
26	08. Special Children Adoption Incentive Fund	500,000
27		
28	Division of Aging and Adult Services	
29		
30	09. Home and Community Care Block Grant (HCCBG)	1,834,077
31		
32	Division of Mental Health, Developmental Disabilities, and Substance	
33	Abuse Services	
34		
35	10. Mental Health Services Program	422,003
36		
37	11. Developmental Disabilities Services Program	5,000,000
38		
39	12. Mental Health Services-Adult and	
40	Child/Developmental Disabilities Program/	
41	Substance Abuse Services-Adult	3,234,601
42		
43	Division of Child Development	
44		

1	13.	Subsidized Child Care Program	3,150,000
2			
3		Division of Vocational Rehabilitation	
4			
5	14.	Vocational Rehabilitation Services – Easter Seal	
6		Society/UCP	188,263
7			
8		Division of Public Health	
9			
10	15.	Teen Pregnancy Prevention Initiatives	2,500,000
11		(Transfer from TANF)	
12			
13	16.	Services to Medically Fragile Children	290,000
14			
15		DHHS Program Expenditures	
16			
17		Division of Aging and Adult Services	
18			
19	17.	UNC-CARES Training Contract	247,920
20			
21		Division of Services for the Blind	
22			
23	18.	Independent Living Program	3,633,077
24			
25		Division of Facility Services	
26			
27	19.	Adult Care Licensure Program	411,897
28			
29	20.	Mental Health Licensure and Certification Program	205,668
30			
31		DHHS Administration	
32			
33	21.	Division of Aging and Adult Services	675,593
34			
35	22.	Division of Social Services	869,058
36			
37	23.	Office of the Secretary/Controller's Office	135,093
38			
39	24.	Office of the Secretary/DIRM	82,009
40			
41	25.	Division of Child Development	15,000
42			
43	26.	Division of Mental Health, Developmental	
44		Disabilities, and Substance Abuse Services	28,860

1		
2	27.	Division of Facility Services 216,418
3		
4	28.	Office of the Secretary-NC Inter-Agency Council
5		For Coordinating Homeless Programs 250,000
6		
7	29.	Office of the Secretary-Housing Coalition 100,000
8		
9	30.	Office of the Secretary 46,819
10		
11	Transfers to Other State Agencies	
12		
13	Department of Administration	
14		
15	31.	NC Commission of Indian Affairs In-Home
16		Services for the Elderly 203,198
17		
18	Department of Juvenile Justice and Delinquency Prevention	
19		
20	32.	Support Our Students 2,749,642
21		(Transfer from TANF)
22		
23	Transfers to Other Block Grants	
24		
25	Division of Public Health	
26		
27	33.	Transfer to Preventive Health Services Block Grant for
28		HIV/STD Prevention and Community Planning 145,819
29		
30	TOTAL SOCIAL SERVICES BLOCK GRANT \$ 66,724,428	
31		
32	LOW-INCOME ENERGY BLOCK GRANT	
33		
34	Local Program Expenditures	
35		
36	Division of Social Services	
37		
38	01.	Low-Income Energy Assistance Program (LIHEAP) \$ 19,510,559
39		
40	02.	Crisis Intervention Program (CIP) 14,588,514
41		
42	Office of the Secretary – Office of Economic Opportunity	
43		
44	03.	Weatherization Program 6,268,946

1		
2	04. Heating Air Repair & Replacement Program (HARRP)	2,923,950
3		
4	Local Administration	
5		
6	Division of Social Services	
7		
8	05. County DSS Administration	2,259,757
9		
10	Office of the Secretary – Office of Economic Opportunity	
11		
12	06. Local Residential Energy Efficiency Service	
13	Providers – Weatherization	268,146
14		
15	07. Local Residential Energy Efficiency Service	
16	Providers – HARRP	125,067
17		
18	DHHS Administration	
19		
20	08. Division of Social Services	219,410
21		
22	09. Division of Mental Health, Developmental	
23	Disabilities, and Substance Abuse Services	7,389
24		
25	10. Office of the Secretary/DIRM	245,395
26		
27	11. Office of the Secretary/Controller's Office	11,211
28		
29	12. Office of the Secretary/Office of Economic	
30	Opportunity – Weatherization	268,146
31		
32	13. Office of the Secretary/Office of Economic	
33	Opportunity – HARRP	125,067
34		
35	Transfers to Other State Agencies	
36		
37	14. Department of Administration –	
38	N.C. State Commission of Indian Affairs	60,947
39		
40	TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 46,882,504
41		
42	CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
43		
44	Local Program Expenditures	

1		
2	Division of Child Development	
3		
4	01. Subsidized Child Care Services	\$148,484,960
5		
6	02. Child Care Services Support-Contract	504,695
7		
8	03. Subsidized Child Care Services	
9	(TANF to CCDF)	84,330,900
10		
11	DHHS Program Expenditures	
12		
13	Division of Child Development	
14		
15	04. Quality and Availability Initiatives	27,000,000
16		
17	Local Administrations	
18		
19	Division of Child Development	
20		
21	05. Administrative Expenses (Nondirect Subsidy	
22	Services Support)	15,813,021
23		
24	DHHS Administration	
25		
26	06. DCD Administrative Expenses	6,540,707
27		
28	DHHS Central Management and Support	
29		
30	07. DHHS Central Administration-DIRM	
31	Technical Services	749,081
32		
33	TOTAL CHILD CARE AND DEVELOPMENT FUND	
34	BLOCK GRANT	\$283,916,162
35		
36	MENTAL HEALTH SERVICES BLOCK GRANT	
37		
38	Local Program Expenditures	
39		
40	01. Mental Health Services – Adult	\$ 6,954,932
41		
42	02. Mental Health Services – Child	3,921,991
43		
44	03. Comprehensive Treatment Service	

1	Program	1,500,000
2		
3	04. Mental Health Services – Schizophrenia	
4	Services for Young Adults	200,000
5		
6	Local Administration	
7		
8	05. Division of Mental Health	100,000
9		
10	TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 12,676,923
11		
12	SUBSTANCE ABUSE PREVENTION	
13	AND TREATMENT BLOCK GRANT	
14		
15	Local Program Expenditures	
16		
17	01. Substance Abuse Services – Adult	\$ 21,938,080
18		
19	02. Substance Abuse Services – ADATC	
20	One-Time Expenses	70,000
21		
22	03. Substance Abuse Treatment Alternative for	
23	Women	8,069,524
24		
25	04. Substance Abuse – HIV and IV Drug	5,116,378
26		
27	05. Substance Abuse Prevention – Child	7,186,857
28		
29	06. Substance Abuse Services – Child	4,940,500
30		
31	Division of Public Health	
32		
33	07. Risk Reduction Projects	633,980
34		
35	08. Aid-to-Counties	209,576
36		
37	09. Maternal Health	37,779
38		
39	DHHS Administration	
40		
41	10. Division of Mental Health	500,000
42		
43	TOTAL SUBSTANCE ABUSE PREVENTION	
44	AND TREATMENT BLOCK GRANT	\$ 48,702,674

1		
2	MATERNAL AND CHILD HEALTH BLOCK GRANT	
3		
4	Local Program Expenditures	
5		
6	Division of Public Health	
7		
8	01. Children's Health Services	6,565,569
9		
10	02. Women's Health	6,654,019
11		
12	03. Oral Health	35,951
13		
14	DHHS Program Expenditures	
15		
16	Division of Public Health	
17		
18	04. Children's Health Services	1,654,428
19		
20	05. Women's Health	121,285
21		
22	06. State Center for Health Statistics	120,364
23		
24	07. Quality Improvement in Public Health	14,646
25		
26	08. Health Promotion	84,843
27		
28	09. Office of Minority Health	51,562
29		
30	10. Immunization Program – Vaccine Distribution	2,010,667
31		
32	DHHS Administration	
33		
34	11. Division of Public Health Administration	631,966
35		
36	TOTAL MATERNAL AND CHILD	
37	HEALTH BLOCK GRANT	\$ 17,945,300
38		
39	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
40		
41	Local Program Expenditures	
42		
43	01. NC Statewide Health Promotion	\$1,755,653
44		

1	02.	Services to Rape Victims	197,112
2			
3	03.	HIV/STD Prevention and Community Planning	
4		(Transfer from Social Services Block Grant)	145,819
5			
6		DHHS Program Expenditures	
7			
8	04.	NC Statewide Health Promotion	1,508,889
9			
10	05.	Oral Health	70,000
11			
12	06.	State Laboratory of Public Health	16,600
13			
14		TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,694,073
15			
16		COMMUNITY SERVICES BLOCK GRANT	
17			
18		Local Program Expenditures	
19			
20		Office of Economic Opportunity – Community Services Block Grant	
21			
22	01.	Community Action Agencies	\$ 16,062,653
23			
24	02.	Limited Purpose Agencies	892,370
25			
26		DHHS Administration	
27			
28	03.	Office of Economic Opportunity	892,369
29			
30		TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 17,847,392

GENERAL PROVISIONS

SECTION 10.17.(b) Information to Be Included in Block Grant Plans. – The Department of Health and Human Services shall submit a separate plan for each Block Grant received and administered by the Department, and each plan shall include the following:

- (1) A delineation of the proposed allocations by program or activity, including State and federal match requirements.
- (2) A delineation of the proposed State and local administrative expenditures.
- (3) An identification of all new positions to be established through the Block Grant, including permanent, temporary, and time-limited positions.

- 1 (4) A comparison of the proposed allocations by program or activity with
2 two prior years' program and activity budgets and two prior years'
3 actual program or activity expenditures.
4 (5) A projection of current year expenditures by program or activity.
5 (6) A projection of federal Block Grant funds available, including unspent
6 federal funds from the current and prior fiscal years.

7 **SECTION 10.17.(c)** Changes in Federal Fund Availability. – If the Congress
8 of the United States increases the federal fund availability for any of the Block Grants
9 administered by the Department of Health and Human Services from the amounts
10 appropriated in this section, the Department shall allocate the increase proportionally
11 across the program and activity appropriations identified for that Block Grant in this
12 section. In allocating an increase in federal fund availability, the Department shall not
13 propose funding for new programs or activities not appropriated in this section or
14 increase State administrative expenditures.

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

24 Prior to allocating the change in federal fund availability, the proposed
25 allocation must be approved by the Office of State Budget and Management. If the
26 Department adjusts the allocation of any Block Grant due to changes in federal fund
27 availability, then a report shall be made to the Joint Legislative Commission on
28 Governmental Operations, the House of Representatives Appropriations Subcommittee
29 on Health and Human Services, the Senate Appropriations Committee on Health and
30 Human Services, and the Fiscal Research Division.

31 **SECTION 10.17.(d)** All changes to the budgeted allocations to the Block
32 Grants administered by the Department of Health and Human Services that are not
33 specifically addressed in this section shall be approved by the Office of State Budget
34 and Management, and a report shall be submitted to the Joint Legislative Commission
35 on Governmental Operations for review prior to implementing the changes. All changes
36 to the budgeted allocations to the Block Grant shall be reported immediately to the
37 House of Representatives Appropriations Subcommittee on Health and Human
38 Services, the Senate Appropriations Committee on Health and Human Services, and the
39 Fiscal Research Division. This subsection does not apply to Block Grant changes
40 caused by legislative salary increases and benefit adjustments.

41
42 **TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT**
43 **(TANF)**

1 **SECTION 10.17.(e)** The sum of nine hundred ninety-five thousand one
2 hundred forty-two dollars (\$995,142) appropriated in this section in the TANF Block
3 Grant to the Department of Health and Human Services, Division of Social Services, for
4 the 2008-2009 fiscal year shall be used to support administration of TANF-funded
5 programs.

6 **SECTION 10.17.(f)** The sum of two million two hundred thousand dollars
7 (\$2,200,000) appropriated under this section in the TANF Block Grant to the
8 Department of Health and Human Services, Division of Social Services, for the
9 2008-2009 fiscal year shall be used to provide domestic violence services to Work First
10 recipients. These funds shall be used to provide domestic violence counseling, support,
11 and other direct services to clients. These funds shall not be used to establish new
12 domestic violence shelters or to facilitate lobbying efforts. The Division of Social
13 Services may use up to seventy-five thousand dollars (\$75,000) in TANF funds to
14 support one administrative position within the Division of Social Services to implement
15 this subsection.

16 Each county department of social services and the local domestic violence
17 shelter program serving the county shall jointly develop a plan for utilizing these funds.
18 The plan shall include the services to be provided and the manner in which the services
19 shall be delivered. The county plan shall be signed by the county social services director
20 or the director's designee and the domestic violence program director or the director's
21 designee and submitted to the Division of Social Services by December 1, 2008. The
22 Division of Social Services, in consultation with the Council for Women, shall review
23 the county plans and shall provide consultation and technical assistance to the
24 departments of social services and local domestic violence shelter programs, if needed.

25 The Division of Social Services shall allocate these funds to county
26 departments of social services according to the following formula: (i) each county shall
27 receive a base allocation of five thousand dollars (\$5,000); and (ii) each county shall
28 receive an allocation of the remaining funds based on the county's proportion of the
29 statewide total of the Work First caseload as of July 1, 2008, and the county's proportion
30 of the statewide total of the individuals receiving domestic violence services from
31 programs funded by the Council for Women as of July 1, 2008. The Division of Social
32 Services may reallocate unspent funds to counties that submit a written request for
33 additional funds.

34 **SECTION 10.17.(g)** The sum of two million two hundred forty-nine
35 thousand six hundred forty-two dollars (\$2,249,642) appropriated in this section in the
36 TANF Block Grant to the Department of Health and Human Services, Division of
37 Social Services, for the 2008-2009 fiscal year shall be used to expand after-school
38 programs and services for at-risk children. The Department shall develop and
39 implement a grant program to award grants to community-based programs that
40 demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and
41 gang participation. The Department shall award grants to community-based
42 organizations that demonstrate the ability to develop and implement linkages with local
43 departments of social services, area mental health programs, schools, and other human
44 services programs in order to provide support services and assistance to the child and

1 family. These funds may be used to fund one position within the Division of Social
2 Services to coordinate at-risk after-school programs and shall not be used for other State
3 administration.

4 **SECTION 10.17.(h)** The sum of fourteen million four hundred fifty-two
5 thousand three hundred ninety-one dollars (\$14,452,391) appropriated in this section to
6 the Department of Health and Human Services, Division of Social Services, in the
7 TANF Block Grant for the 2008-2009 fiscal year for child welfare improvements, shall
8 be allocated to the county departments of social services for hiring or contracting staff
9 to investigate and provide services in Child Protective Services cases; to provide foster
10 care and support services; to recruit, train, license, and support prospective foster and
11 adoptive families; and to provide interstate and postadoption services for eligible
12 families.

13 **SECTION 10.17.(i)** The sum of three million dollars (\$3,000,000)
14 appropriated in this section in the TANF Block Grant to the Department of Health and
15 Human Services, Special Children Adoption Fund, for the 2008-2009 fiscal year shall
16 be used in accordance with Section 10.31 of S.L. 2007-323. The Division of Social
17 Services, in consultation with the North Carolina Association of County Directors of
18 Social Services and representatives of licensed private adoption agencies, shall develop
19 guidelines for the awarding of funds to licensed public and private adoption agencies
20 upon the adoption of children described in G.S. 108A-50 and in foster care. Payments
21 received from the Special Children Adoption Fund by participating agencies shall be
22 used exclusively to enhance the adoption services program. No local match shall be
23 required as a condition for receipt of these funds.

24 **SECTION 10.17.(j)** The sum of one million eight hundred thousand dollars
25 (\$1,800,000) in this section appropriated to the Department of Health and Human
26 Services in the TANF Block Grant for the 2008-2009 fiscal year shall be used to
27 implement N.C. FAST (North Carolina Families Accessing Services through
28 Technology). The N.C. FAST Program involves the entire automation initiative through
29 which families access services and local departments of social services deliver benefits,
30 supervised by the Department of Health and Human Services, Divisions of Social
31 Services, Aging and Adult Services, Medical Assistance, and Child Development. The
32 statewide automated initiative shall be implemented in compliance with federal
33 regulations in order to ensure federal financial participation in the project. The
34 Department of Health and Human Services shall report on its compliance with this
35 subsection to the House of Representatives Appropriations Subcommittee on Health and
36 Human Services, the Senate Appropriations Committee on Health and Human Services,
37 and the Fiscal Research Division no later than January 1, 2009.

38 **SECTION 10.17.(k)** The sum of five hundred thousand dollars (\$500,000)
39 appropriated in this section to the Department of Health and Human Services, Division
40 of Social Services, in the TANF Block Grant for the 2008-2009 fiscal year shall be used
41 to expand after-school programs for at-risk children attending middle school. The
42 Department shall develop and implement a grant program to award funds to
43 community-based programs demonstrating the capacity to reach children at risk of teen
44 pregnancy, school dropout, and gang participation. These funds shall not be used for

1 training or administration at the State level. All funds shall be distributed to
2 community-based programs, focusing on those communities where similar programs do
3 not exist in middle schools.

4 **SECTION 10.17.(l)** In implementing the TANF Block Grant, the
5 Department of Health and Human Services shall review policies, programs, and
6 initiatives to ensure that they support men in their role as fathers and strengthen fathers'
7 involvement in their children's lives. The Department shall encourage county
8 departments of social services to ensure their Work First programs emphasize
9 responsible fatherhood and increased participation by noncustodial fathers.

10 **SECTION 10.17.(m)** The sum of five hundred fifty thousand dollars
11 (\$550,000) appropriated in this section to the Department of Health and Human
12 Services in the TANF Block Grant for the 2008-2009 fiscal year shall be transferred to
13 Connect, Inc. Connect, Inc., shall report on the number of people served and the
14 services received as a result of the receipt of funds. The report shall contain expenditure
15 data, including the amount of funds used for administration and direct training. The
16 report shall also include the number of people who have been employed as a direct
17 result of services provided by Connect, Inc., including the length of employment in the
18 new position. The Department of Health and Human Services shall evaluate the
19 program and ensure that services provided are not duplicative of local employment
20 security commissions in the nine counties served by Connect, Inc. The evaluation report
21 shall be submitted to the House of Representatives Appropriations Subcommittee on
22 Health and Human Services, the Senate Appropriations Committee on Health and
23 Human Services, and the Fiscal Research Division no later than May 1, 2008.

24 **SECTION 10.17.(n)** The sum of two million dollars (\$2,000,000)
25 appropriated in this section to the Department of Health and Human Services in the
26 TANF Block Grant for Boys and Girls Clubs for the 2008-2009 fiscal year shall be used
27 to make grants for approved programs. The Department of Health and Human Services,
28 in accordance with federal regulations for the use of TANF Block Grant funds, shall
29 administer a grant program to award funds to the Boys and Girls Clubs across the State
30 in order to implement programs that improve the motivation, performance, and
31 self-esteem of youths and to implement other initiatives that would be expected to
32 reduce gang participation, school dropout, and teen pregnancy rates. The Department
33 shall encourage and facilitate collaboration between the Boys and Girls Clubs and
34 Support Our Students, Communities in Schools, and similar programs to submit joint
35 applications for the funds if appropriate.

36 **SECTION 10.17.(o)** The Department of Health and Human Services,
37 Division of Social Services, shall continue implementing county demonstration grants
38 that began in the 2006-2007 fiscal year. The county demonstration grants may be
39 awarded for up to three years with all projects ending no later than the end of fiscal year
40 2009-2010. The purpose of the county demonstration grants is to identify best practices
41 that can be used by counties to improve the work participation rates. The Division of
42 Social Services is authorized to establish two time-limited positions to manage the grant
43 award process and monitor the demonstration projects through fiscal year 2009-2010.

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

4 The Department of Health and Human Services, Division of Social Services,
5 shall report on the status of county demonstration grants implemented pursuant to this
6 subsection to the House of Representatives Appropriations Subcommittee on Health and
7 Human Services, the Senate Appropriations Committee on Health and Human Services,
8 and the Fiscal Research Division no later than February 1, 2009.

10 SOCIAL SERVICES BLOCK GRANT

11 **SECTION 10.17.(p)** Social Services Block Grant funds appropriated to the
12 North Carolina Inter-Agency Council for Coordinating Homeless Programs and the
13 North Carolina Housing Coalition are exempt from the provisions of 10A NCAC 71R
14 .0201(3).

15 **SECTION 10.17.(q)** The sum of two million seven hundred forty-nine
16 thousand six hundred forty-two dollars (\$2,749,642) appropriated in this section in the
17 Social Services Block Grant to the Department of Health and Human Services and
18 transferred to the Department of Juvenile Justice and Delinquency Prevention for the
19 2008-2009 fiscal year shall be used to support the existing Support Our Students
20 Program, including gang prevention, and to expand the Program statewide, focusing on
21 low-income communities in unserved areas. These funds shall not be used for
22 administration of the Program.

23 **SECTION 10.17.(r)** The sum of two million seven hundred thirty-eight
24 thousand eight hundred twenty-seven dollars (\$2,738,827) appropriated in this section
25 in the Social Services Block Grant to the Department of Health and Human Services,
26 Division of Social Services, for the 2008-2009 fiscal year shall be used to support
27 various child welfare training projects as follows:

- 28 (1) Provide a regional training center in southeastern North Carolina.
- 29 (2) Support the Master's Degree in Social Work/Baccalaureate Degree in
30 Social Work Collaborative.
- 31 (3) Provide training for residential child-caring facilities.
- 32 (4) Provide for various other child welfare training initiatives.

33 **SECTION 10.17.(s)** The sum of eight hundred thirty-eight thousand dollars
34 (\$838,000) appropriated in this section in the Social Services Block Grant to the
35 Department of Health and Human Services for the 2008-2009 fiscal year shall be used
36 to purchase services at maternity homes throughout the State.

37 **SECTION 10.17.(t)** The sum of two million three hundred seventy-one
38 thousand nine hundred fifty-seven dollars (\$2,371,957) appropriated in this section in
39 the Social Services Block Grant for child-caring agencies for the 2008-2009 fiscal year
40 shall be allocated to the State Private Child-Caring Agencies Fund.

41 **SECTION 10.17.(u)** The sum of two hundred ninety thousand dollars
42 (\$290,000) appropriated in this section in the Social Services Block Grant for services
43 to medically fragile children for the 2008-2009 fiscal year shall be used for the child
44 care component of pediatric day treatment centers for medically fragile children.

1 **SECTION 10.17.(v)** The Department of Health and Human Services is
2 authorized, subject to the approval of the Office of State Budget and Management, to
3 transfer Social Services Block Grant funding allocated for departmental administration
4 between divisions that have received administrative allocations from the Social Services
5 Block Grant.

6
7 **LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

8 **SECTION 10.17.(w)** Additional emergency contingency funds received may
9 be allocated for Energy Assistance Payments or Crisis Intervention Payments without
10 prior consultation with the Joint Legislative Commission on Governmental Operations.
11 Additional funds received shall be reported to the Joint Legislative Commission on
12 Governmental Operations and the Fiscal Research Division upon notification of the
13 award. The Department of Health and Human Services shall not allocate funds for any
14 activities, including increasing administration, other than assistance payments, without
15 prior consultation with the Joint Legislative Commission on Governmental Operations.

16
17 **CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT**

18 **SECTION 10.17.(x)** The sum of no more than four hundred thousand dollars
19 (\$400,000) appropriated in this section to the Department of Health and Human
20 Services in the Child Care and Development Fund Block Grant for the 2008-2009 fiscal
21 year may be used for the operations of the Medical Child Care Pilot.

22 **SECTION 10.17.(y)** Payment for subsidized child care services provided
23 with federal TANF funds shall comply with all regulations and policies issued by the
24 Division of Child Development for the subsidized child care program.

25 **SECTION 10.17.(z)** If funds appropriated through the Child Care and
26 Development Fund Block Grant for any program cannot be obligated or spent in that
27 program within the obligation or liquidation periods allowed by the federal grants, the
28 Department may move funds to child care subsidies, unless otherwise prohibited by
29 federal requirements of the grant, in order to use the federal funds fully.

30
31 **MENTAL HEALTH BLOCK GRANT**

32 **SECTION 10.17.(aa)** The sum of one million five hundred thousand dollars
33 (\$1,500,000) appropriated in this section in the Mental Health Block Grant to the
34 Department of Health and Human Services, Division of Mental Health, Developmental
35 Disabilities, and Substance Abuse Services, for the 2008-2009 fiscal year and the sum
36 of four hundred twenty-two thousand three dollars (\$422,003) appropriated in this
37 section in the Social Services Block Grant to the Department of Health and Human
38 Services, Division of Social Services, for the 2008-2009 fiscal year shall be used to
39 continue a Comprehensive Treatment Services Program for Children in accordance with
40 Section 10.10 of S.L. 2007-323.

41
42 **MATERNAL AND CHILD HEALTH BLOCK GRANT**

43 **SECTION 10.17.(bb)** The sum of one million seven hundred thousand
44 dollars (\$1,700,000) appropriated in this section in the Maternal and Child Health Block

1 Grant to the Department of Health and Human Services, Department of Public Health,
2 for the 2008-2009 fiscal year shall be used for influenza vaccinations for children.

3 **SECTION 10.17.(cc)** If federal funds are received under the Maternal and
4 Child Health Block Grant for abstinence education, pursuant to section 912 of Public
5 Law 104-193 (42 U.S.C. § 710), for the 2008-2009 fiscal year, then those funds shall be
6 transferred to the State Board of Education to be administered by the Department of
7 Public Instruction. The Department of Public Instruction shall use the funds to establish
8 an Abstinence Until Marriage Education Program and shall delegate to one or more
9 persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The
10 Department of Public Instruction shall carefully and strictly follow federal guidelines in
11 implementing and administering the abstinence education grant funds.

12 **SECTION 10.17.(dd)** The Department of Health and Human Services shall
13 ensure that there will be follow-up testing in the Newborn Screening Program.

14
15 **PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES**

16
17 **STUDY CERTAIN DEPARTMENT OF AGRICULTURE AND CONSUMER**
18 **SERVICES FEES**

19 **SECTION 11.1.(a)** The Department of Agriculture and Consumer Services,
20 in consultation with the Office of State Budget and Management and the Fiscal
21 Research Division, shall study the following:

- 22 (1) The feasibility and advisability of increasing the fees imposed by
23 either the Board of Agriculture or the Department regarding
24 veterinaries.
25 (2) The feasibility and advisability of establishing fees for soil testing
26 services provided by the Agronomics Division of the Department.
27 (3) The feasibility and advisability of identifying alternative sources of
28 funding for the "Agricultural Review", an agriculture newsletter
29 published by the Department, including charging fees for
30 advertisements or classified advertisements and soliciting private
31 sponsors for the newsletter.

32 **SECTION 11.1.(b)** In the course of the study under subsection (a) of this
33 section, the Department may consider other fees imposed by either the Board of
34 Agriculture or the Department, the administrative costs associated with these fees, and
35 current usage rates for various services provided by the Department.

36 **SECTION 11.1.(c)** No later than March 1, 2009, the Department of
37 Agriculture and Consumer Services shall report the results of the study under this
38 section, including any recommendations or legislative proposals, to the Chairs of the
39 House of Representatives and Senate Appropriations Subcommittees on Natural and
40 Economic Resources.

41
42 **PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL**
43 **RESOURCES**
44

1 **BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND**
2 **AMENDMENTS.**

3 **SECTION 12.1.** G.S. 87-98 reads as rewritten:

4 **"§ 87-98. Bernard Allen Memorial Emergency Drinking Water Fund.**

5 (a) The Bernard Allen Memorial Emergency Drinking Water Fund is established
6 under the control and direction of the Department. The Fund shall be a nonreverting,
7 interest-bearing fund consisting of monies appropriated by the General Assembly or
8 made available to the Fund from any other source and investment interest credited to the
9 Fund.

10 (b) The Fund may be used to pay for notification, to the extent practicable, of
11 persons aged 18 and older who reside in any dwelling unit, and the senior official in
12 charge of any business, at which drinking water is supplied from a private drinking
13 water well or improved spring that is located within 1,500 feet of, and at risk from,
14 known groundwater contamination. The senior official in charge of the business shall
15 take reasonable measures to notify all employees of the business of the groundwater
16 contamination, including posting a notice of the contamination in a form and at a
17 location that is readily accessible to the employees of the business. The Fund may also
18 be used by the Department to pay the costs of testing of private drinking water wells and
19 improved springs for suspected contamination up to once every three years upon request
20 by a person who uses the well and for the temporary or permanent provision of
21 alternative drinking water supplies to persons whose drinking water well or improved
22 spring is contaminated. Under this subsection, an alternative drinking water supply
23 includes the repair or replacement of a contaminated well or the connection to a public
24 water supply.

25 (c) The Department shall disburse monies from the Fund based on financial need
26 and on the risk to public health posed by groundwater contamination and shall give
27 priority to the provision of services under this section to instances when an alternative
28 source of funds is not available. ~~The Fund shall not be used for remediation of~~
29 ~~groundwater contamination. Nothing in this section expands, contracts, or modifies the~~
30 ~~obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General~~
31 ~~Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify~~
32 ~~receptors, or remediate groundwater or soil contamination.~~ The Fund shall not be used
33 to provide alternative water supply to households with incomes greater than three
34 hundred percent (300%) of the current federal poverty level. The Fund ~~shall not~~ may be
35 used to provide alternative drinking water supplies ~~unless if the Department determines~~
36 that the concentration of one or more contaminants in the private drinking water well or
37 improved spring exceeds the federal Maximum Contaminant Level ~~maximum~~
38 contaminant level, or the federal drinking water action level as defined in 40 Code of
39 Federal Regulations § 141.1 through § 141.571 (1 July 2006) 2007) and 40 Code of
40 Federal Regulations § 143.3 (1 July 2006) 2007). For a contaminant for which a federal
41 maximum contaminant level or drinking water action level has not been established, the
42 State groundwater standard established by the Environmental Management Commission
43 for the concentration of that contaminant shall be used to determine whether the Fund
44 may be used to provide alternative drinking water supplies. The Fund may also be used

1 to provide alternative drinking water supplies as provided in this section if the
2 Department determines that the concentration of one or more contaminants in a private
3 drinking water well is increasing over time and that there is a significant risk that the
4 concentration of a contaminant will exceed the federal maximum contaminant level or
5 drinking water action level, or the State groundwater standard. A determination of the
6 concentration of a contaminant shall be based on a sample of water collected from the
7 private drinking water well within the past 12 months. ~~The Fund shall not be used to~~
8 ~~provide temporary water supplies in any calendar quarter until all needs for permanent~~
9 ~~replacement water supplies that have been identified in that calendar quarter have been~~
10 ~~met through hookups to public water supplies, repair, or replacement of contaminated~~
11 ~~wells.~~

12 (c1) In disbursing monies from the Fund, ~~preference shall be given to providing the~~
13 Department shall give preference to provision of permanent replacement water supplies
14 by connection to public water supplies and repair or replacement of contaminated wells
15 over the provision of temporary water supplies. In providing alternative drinking water
16 supplies, the Department shall give preference to connection to a public water supply
17 system or to construction of a new private drinking water well over the use of a
18 filtration system if the Department determines that the costs of periodic required
19 maintenance of the filtration system would be cost-prohibitive for users of the
20 alternative drinking water supply.

21 (c2) If the Department provides an alternative drinking water supply by extension
22 of a waterline, the Department may disburse from the Fund no more than ten thousand
23 dollars (\$10,000) per household or other service connection. No more than one-third of
24 the total cost of the project may be paid from the Fund. The Department may combine
25 monies from the Fund with monies from other sources in order to pay the total cost of
26 the project.

27 (c3) The Fund shall be used to provide alternative drinking water supplies only if
28 the Department determines that the person or persons who are responsible for the
29 contamination of the private drinking water well is or are not financially viable or
30 cannot be identified or located and if the Department determines that one of the
31 following applies:

32 (1) The contamination of the private drinking water well is naturally
33 occurring.

34 (2) The owner of the property on which the private drinking water well is
35 located did not cause or contribute to the contamination or control the
36 source of the contamination.

37 (3) The source of the contamination is the application or disposal of a
38 hazardous substance or pesticide that occurred without the consent of
39 the owner of the property on which the private drinking water well is
40 located.

41 (c4) The Department may use up to one hundred thousand dollars (\$100,000) of
42 the monies in the Fund to pay the personnel and other direct costs associated with the
43 implementation of this section.

44 (c5) The Fund shall not be used for remediation of groundwater contamination.

(c6) Nothing in this section expands, contracts, or modifies the obligation of responsible parties under Article 9 or 10 of Chapter 130A of the General Statutes, this Article, or Article 21A of this Chapter to assess contamination, identify receptors, or remediate groundwater or soil contamination.

(d) The Department shall establish criteria by which the Department is to evaluate applications and disburse monies from this Fund and may adopt any rules necessary to implement this section.

(e) The Department, in consultation with the Commission for Public Health and local health departments, shall report no later than 1 October of each year to the Environmental Review Commission, the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly on the implementation of this section. The report shall include the purpose and amount of all expenditures from the Fund during the prior fiscal year, a discussion of the benefits and deficiencies realized as a result of the section, and may also include recommendations for any legislative action."

GRASSROOTS SCIENCE PROGRAM

SECTION 12.2. Section 12.5(a) of S.L. 2007-323 reads as rewritten:

"SECTION 12.5.(a) Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of three million nine hundred six thousand three hundred forty dollars (\$3,906,340) for the 2007-2008 fiscal year and the sum of ~~three million four hundred eighty one thousand three hundred forty dollars (\$3,481,340)~~three million three hundred eighty-six thousand two hundred ninety-nine dollars (\$3,386,299) for the 2008-2009 fiscal year is allocated as grants-in-aid for each fiscal year as follows:

	2007-2008	2008-2009	
Aurora Fossil Museum	\$59,057	\$59,057	<u>\$57,445</u>
Cape Fear Museum	\$161,007	\$161,007	<u>\$156,611</u>
Carolina Raptor Center	\$112,174	\$112,174	<u>\$109,112</u>
Catawba Science Center	\$146,356	\$146,356	<u>\$142,360</u>
Colburn Earth Science Museum, Inc.	\$74,545	\$74,545	<u>\$72,510</u>
Core Sound Waterfowl Museum	\$50,000	\$50,000	<u>\$48,635</u>
Discovery Place	\$662,865	\$662,865	<u>\$644,769</u>
Eastern NC Regional Science Center	\$350,000	\$50,000	<u>\$48,635</u>
Fascinate-U	\$81,072	\$81,072	<u>\$78,859</u>
Granville County Museum Commission, Inc.–Harris Gallery	\$56,422	\$56,422	<u>\$54,882</u>
Greensboro Children's Museum	\$135,076	\$135,076	<u>\$131,388</u>
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	\$155,611	\$155,611	<u>\$151,363</u>
Highlands Nature Center	\$79,268	\$79,268	<u>\$77,104</u>
Imagination Station	\$86,034	\$86,034	<u>\$83,685</u>

1	The Iredell Museums, Inc.	\$61,306	\$61,306	\$59,632
2	Kidsenses	\$81,282	\$81,282	\$79,063
3	Museum of Coastal Carolina	\$78,020	\$78,020	\$75,890
4	The Natural Science Center			
5	of Greensboro, Inc.	\$311,354	\$186,354	\$181,267
6	North Carolina Museum of Life			
7	and Science	\$379,826	\$379,826	\$369,457
8	Pisgah Astronomical Research Institute	\$50,000	\$50,000	\$48,635
9	Port Discover: Northeastern			
10	North Carolina's Center for			
11	Hands-On Science, Inc.	\$50,000	\$50,000	\$48,635
12	Rocky Mount Children's Museum	\$72,254	\$72,254	\$70,281
13	Schiele Museum of Natural History			
14	and Planetarium, Inc.	\$229,547	\$229,547	\$223,280
15	Sci Works Science Center and			
16	Environmental Park of Forsyth County	\$146,499	\$146,499	\$142,500
17	Sylvan Heights Waterfowl Park			
18	and Eco-Center	\$50,000	\$50,000	\$48,635
19	Western North Carolina Nature Center	\$112,879	\$112,879	\$109,797
20	Wilmington Children's Museum	\$73,886	\$73,886	\$71,869
21				
22	Total	\$3,906,340	\$3,481,340	\$3,386,299"

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.3.(a) Of the funds available to the Wildlife Resources Commission, the sum of five hundred thousand dollars (\$500,000) for the 2008-2009 fiscal year shall be used to provide the State share necessary to support the beaver damage control program established in G.S. 113-291.10, provided the sum of at least twenty-five thousand dollars (\$25,000) in federal funds is available each fiscal year of the biennium to provide the federal share.

SECTION 12.3.(b) G.S. 113-291.10(f) reads as rewritten:

"(f) Each county that volunteers to participate in this program for a given fiscal year shall provide written notification of its wish to participate no later than September 30 of that year and shall commit the sum of four thousand dollars (\$4,000) in local funds no later than September 30 of that year. The remaining funds needed each fiscal year of the biennium to provide the State share necessary to support this program shall be paid from funds available to the Wildlife Resources Commission, provided the sum of at least twenty-five thousand dollars (\$25,000) in federal funds is available each fiscal year of the biennium to provide the federal share."

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. Section 13.1 of S.L. 2007-323 reads as rewritten:

1 **"SECTION 13.1.(a)** Of the funds appropriated in this act to the One North Carolina
2 Fund for the ~~2007-2008~~2008-2009 fiscal year, the Department of Commerce may use
3 up to three hundred thousand dollars (\$300,000) to cover its expenses in administering
4 the One North Carolina Fund and other economic development incentive grant
5 programs during the ~~2007-2008~~2008-2009 fiscal year.

6 **SECTION 13.1.(b)** Of the funds appropriated in this act to the One North Carolina
7 Fund for the 2007-2008 fiscal year, the sum of six hundred fifty thousand dollars
8 (\$650,000) shall be transferred to the Department of Environment and Natural
9 Resources, Division of Information Technology Services, for the development of a Tier
10 II hazardous chemicals inventory database and Web-based access application.

11 **SECTION 13.1.(c)** If any One North Carolina funds that have been previously
12 awarded and disbursed are recovered by the Department of Commerce during the
13 2007-2008 fiscal year, the Department of Commerce may use up to one million dollars
14 (\$1,000,000) of the recovered funds to supplement the Department's budget for
15 statewide economic development marketing and business assistance, including
16 continued development and maintenance of the Department's Web site, development of
17 software and systems to improve service to North Carolina businesses, and the
18 promotion of North Carolina nationally and internationally as a location for business
19 growth and expansion through advertising, events-related marketing, and hosting
20 international economic development conferences. Funds recovered by the Department
21 of Commerce under this subsection in the 2007-2008 fiscal year that are unencumbered
22 and unexpended as of June 30, 2008, may be used by the Department in the 2008-2009
23 fiscal year for Client Relationship Management software and to upgrade the building
24 and sites database and website for the Certified Sites Program."
25

26 **NC GREEN BUSINESS FUND**

27 **SECTION 13.2.** Of the funds appropriated in this act to the NC Green
28 Business Fund for the 2008-2009 fiscal year, the Department of Commerce may use up
29 to fifty thousand dollars (\$50,000), if necessary, to cover the Department's expenses in
30 administering the NC Green Business Fund.

31 **WELCOME/VISITOR CENTER CONSTRUCTION**

32 **SECTION 13.3.** S.L. 2007-356 reads as rewritten:

33 **"SECTION 1.** The Department of Commerce and the Department of Transportation
34 shall consult with the Joint Legislative Commission on Governmental Operations and
35 the House and Senate Appropriations Subcommittees on Natural and Economic
36 Resources before beginning the design or construction of any new welcome center or
37 visitor center buildings.
38

39 **SECTION 2.** The Department of Commerce and the Department of Transportation
40 shall immediately cease the planning, design, or construction of any new welcome
41 center buildings in Randolph County and shall not resume the planning, design, or
42 construction of any new welcome center buildings in that county before consulting with
43 the Joint Legislative Commission on Governmental Operations and the House and
44 Senate Appropriations Subcommittees on Natural and Economic Resources.

1 **SECTION 3.** Nothing in this act shall be interpreted to prohibit or restrict the
 2 Department of Transportation from constructing visitor center buildings in Randolph
 3 County and Wilkes County that were in the planning, design, or construction phase
 4 prior to the effective date of this act. ~~The Department of Commerce shall operate the~~
 5 ~~Randolph County visitor center with funding sources consistent with the existing nine~~
 6 ~~welcome centers, excluding use of funds from the Special Registration Plate Account~~
 7 ~~and the Highway Fund."~~

8
 9 **WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS**

10 **SECTION 13.4.** Section 13.3A of S.L. 2007-323 reads as rewritten:

11 **"SECTION 13.3A.(a)** Funds appropriated to the Department of Commerce for the
 12 ~~2006-2007~~2007-2008 fiscal year for the Wanchese Seafood Industrial Park that are
 13 unexpended and unencumbered as of ~~June 30, 2007,~~June 30, 2008, shall not revert to
 14 the General Fund on ~~June 30, 2007,~~June 30, 2008, but shall remain available to the
 15 Department to be expended by the Wanchese Seafood Industrial Park for operations,
 16 maintenance, repair, and capital improvements in accordance with Article 23C of
 17 Chapter 113 of the General Statutes. These funds shall be in addition to funds available
 18 to the North Carolina Seafood Industrial Park Authority for operations, maintenance,
 19 repair, and capital improvements under Article 23C of Chapter 113 of the General
 20 Statutes.

21 **SECTION 13.3A.(b)** Funds appropriated to the Department of Commerce for the
 22 ~~2006-2007~~2007-2008 fiscal year for the Oregon Inlet Project that are unexpended and
 23 unencumbered as of ~~June 30, 2007,~~June 30, 2008, shall not revert to the General Fund
 24 on ~~June 30, 2007,~~June 30, 2008, but shall remain available to the Department to be
 25 expended by the Wanchese Seafood Industrial Park for securing adequate channel
 26 maintenance of the Oregon Inlet and for operations, maintenance, repair, and capital
 27 improvements in accordance with Article 23C of Chapter 113 of the General Statutes.
 28 These funds shall be in addition to funds available to the North Carolina Seafood
 29 Industrial Park Authority for operations, maintenance, repair, and capital improvements
 30 under Article 23C of Chapter 113 of the General Statutes.

31 **SECTION 13.3A.(c)** This section becomes effective ~~June 30, 2007,~~June 30, 2008."

32
 33 **NER BLOCK GRANTS**

34 **SECTION 13.5.(a)** Appropriations from federal block grant funds are made
 35 for fiscal year ending June 30, 2009, according to the following schedule:

36
 37 **COMMUNITY DEVELOPMENT BLOCK GRANT**

38

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

44

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

15
16 **SECTION 13.5.(b)** Decreases in Federal Fund Availability. – If federal
17 funds are reduced below the amounts specified above after the effective date of this act,
18 then every program in each of these federal block grants shall be reduced by the same
19 percentage as the reduction in federal funds.

20 **SECTION 13.5.(c)** Increases in Federal Fund Availability for Community
21 Development Block Grant. – Any block grant funds appropriated by the Congress of the
22 United States in addition to the funds specified in this section shall be expended as
23 follows: each program category under the Community Development Block Grant shall
24 be increased by the same percentage as the increase in federal funds.

25 **SECTION 13.5.(d)** Limitations on Community Development Block Grant
26 Funds. – Of the funds appropriated in this section for the Community Development
27 Block Grant, the following shall be allocated in each category for each program year: up
28 to one million dollars (\$1,000,000) may be used for State Administration; not less than
29 one million dollars (\$1,000,000) may be used for Urgent Needs and Contingency; up to
30 thirteen million two hundred thousand dollars (\$13,200,000) may be used for Scattered
31 Site Housing; eight million seven hundred ten thousand dollars (\$8,710,000) may be
32 used for Economic Development; up to one million dollars (\$1,000,000) may be used
33 for Small Business/Entrepreneurship; not less than thirteen million dollars
34 (\$13,000,000) shall be used for Community Revitalization; up to four hundred fifty
35 thousand dollars (\$450,000) may be used for State Technical Assistance; up to one
36 million five hundred thousand dollars (\$1,500,000) may be used for Housing
37 Development; up to five million one hundred forty thousand dollars (\$5,140,000) may
38 be used for Infrastructure. If federal block grant funds are reduced or increased by the
39 Congress of the United States after the effective date of this act, then these reductions or
40 increases shall be allocated in accordance with subsection (b) or (c) of this section, as
41 applicable.

42 **SECTION 13.5.(e)** Increase Capacity for Nonprofit Organizations. –
43 Assistance to nonprofit organizations to increase their capacity to carry out
44 CDBG-eligible activities in partnership with units of local government is an eligible

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

4 **SECTION 13.5.(f)** The Department of Commerce shall consult with the
5 Joint Legislative Commission on Governmental Operations prior to reallocating
6 Community Development Block Grant Funds. Notwithstanding the provisions of this
7 subsection, whenever the Director of the Budget finds that:

8 (1) A reallocation is required because of an emergency that poses an
9 imminent threat to public health or public safety, the Director of the
10 Budget may authorize the reallocation without consulting the
11 Commission. The Department of Commerce shall report to the
12 Commission on the reallocation no later than 30 days after it was
13 authorized and shall identify in the report the emergency, the type of
14 action taken, and how it was related to the emergency.

15 (2) The State will lose federal block grant funds or receive less federal
16 block grant funds in the next fiscal year unless a reallocation is made.
17 The Department of Commerce shall provide a written report to the
18 Commission on the proposed reallocation and shall identify the reason
19 that failure to take action will result in the loss of federal funds. If the
20 Commission does not hear the issue within 30 days of receipt of the
21 report, the Department may take the action without consulting the
22 Commission.

23 **EMPLOYMENT SECURITY COMMISSION FUNDS**

24 **SECTION 13.6.** Section 13.4 of S.L. 2007-323 reads as rewritten:

25 **"SECTION 13.4.(a)** Funds from the Employment Security Commission Reserve
26 Fund shall be available to the Employment Security Commission of North Carolina to
27 use as collateral to secure federal funds and to pay the administrative costs associated
28 with the collection of the Employment Security Commission Reserve Fund surcharge.
29 The total administrative costs paid with funds from the Reserve in the
30 ~~2007-2008~~2008-2009 fiscal year shall not exceed two million five hundred thousand
31 dollars (\$2,500,000).
32

33 **SECTION 13.4.(b)** There is appropriated from the Employment Security
34 Commission Reserve Fund to the Employment Security Commission of North Carolina
35 the sum of ~~seven million three hundred thousand dollars (\$7,300,000)~~twenty million
36 dollars (\$20,000,000) for the ~~2007-2008~~2008-2009 fiscal year to be used for the
37 following purposes:

38 (1) ~~Seven million dollars (\$7,000,000)~~Nineteen million seven hundred
39 thousand dollars (\$19,700,000) for the operation and support of local
40 ESC offices.

41 (2) Two hundred thousand dollars (\$200,000) for the State Occupational
42 Information Coordinating Committee to develop and operate an
43 interagency system to track former participants in State education and
44 training programs.

- 1 (3) One hundred thousand dollars (\$100,000) to maintain compliance with
2 Chapter 96 of the General Statutes, which directs the Commission to
3 employ the Common Follow-Up Management Information System to
4 evaluate the effectiveness of the State's job training, education, and
5 placement programs.

6 **SECTION 13.4.(c)** There is appropriated from the Employment Security
7 Commission Reserve Fund to the Employment Security Commission of North Carolina
8 an amount not to exceed ~~two million five hundred thousand dollars (\$2,500,000)~~one
9 million dollars (\$1,000,000) for the ~~2007-2008~~2008-2009 fiscal year to fund State
10 initiatives not currently funded through federal grants.

11 **SECTION 13.4.(d)** There is appropriated from the Employment Security
12 Commission Reserve Fund to the Employment Security Commission of North Carolina
13 an amount not to exceed three hundred fifty thousand dollars (\$350,000) for the
14 ~~2007-2008~~2008-2009 fiscal year to allow the Commission to continue to work with
15 Connect, Inc., to provide dislocated workers with assistance in obtaining health care
16 benefits, receiving vocational training, and securing employment.

17 **SECTION 13.4.(e)** This section becomes effective ~~July 1, 2007.~~July 1, 2008."
18

19 REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

20 **SECTION 13.7.(a)** Funds appropriated in this act to the Department of
21 Commerce for regional economic development commissions shall be allocated to the
22 following commissions in accordance with subsection (b) of this section: Western North
23 Carolina Regional Economic Development Commission, Research Triangle Regional
24 Partnership, Southeastern North Carolina Regional Economic Development
25 Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional
26 Economic Development Commission, North Carolina's Eastern Region Economic
27 Development Partnership, and Carolinas Partnership, Inc.

28 **SECTION 13.7.(b)** Funds appropriated pursuant to subsection (a) of this
29 section shall be allocated to each regional economic development commission as
30 follows:

- 31 (1) First, the Department shall establish each commission's allocation by
32 determining the sum of allocations to each county that is a member of
33 that commission. Each county's allocation shall be determined by
34 dividing the county's development factor by the sum of the
35 development factors for eligible counties and multiplying the resulting
36 percentage by the amount of the appropriation. As used in this
37 subdivision, the term "development factor" means a county's
38 development factor as calculated under G.S. 143B-437.08; and
39 (2) Next, the Department shall subtract from funds allocated to the North
40 Carolina's Eastern Region Economic Development Partnership the
41 sum of three hundred thirty thousand seven hundred fifty dollars
42 (\$330,750) in the 2008-2009 fiscal year, which sum represents: (i) the
43 total interest earnings in the prior fiscal year on the estimated balance
44 of seven million five hundred thousand dollars (\$7,500,000)

1 appropriated to the Global TransPark Development Zone in Section 6
2 of Chapter 561 of the 1993 Session Laws; and (ii) the total interest
3 earnings in the prior fiscal year on loans made from the seven million
4 five hundred thousand dollars (\$7,500,000) appropriated to the Global
5 TransPark Development Zone in Section 6 of Chapter 561 of the 1993
6 Session Laws; and

- 7 (3) Next, the Department shall redistribute the sum of three hundred thirty
8 thousand seven hundred fifty dollars (\$330,750) in the 2008-2009
9 fiscal year to the seven regional economic development commissions
10 named in subsection (a) of this section. Each commission's share of
11 this redistribution shall be determined according to the development
12 factor formula set out in subdivision (1) of this subsection. This
13 redistribution shall be in addition to each commission's allocation
14 determined under subdivision (1) of this subsection.

15 **SECTION 13.7.(c)** No more than one hundred twenty thousand dollars
16 (\$120,000) in State funds shall be used for the annual salary of any one employee of a
17 regional economic development commission.

18 **SECTION 13.7.(d)** The General Assembly finds that successful economic
19 development requires the collaboration of the State, regions of the State, counties, and
20 municipalities. Therefore, the regional economic development commissions are
21 encouraged to seek supplemental funding from their county and municipal partners to
22 continue and enhance their efforts to attract and retain business in the State.

23
24 **FUNDS FOR LOCAL GOVERNMENT WATER AND SEWER**
25 **IMPROVEMENT GRANTS**

26 **SECTION 13.8.(a)** Allocation of Funds. – Of the funds appropriated in this
27 act to the Rural Economic Development Center, Inc., (Rural Center) the sum of fifty
28 million dollars (\$50,000,000) for the 2008-2009 fiscal year shall be allocated as follows:

- 29 (1) Up to \$25,000,000 may be used to provide grants to local government
30 units for wastewater-related projects under subsection (b) of this
31 section.
32 (2) Up to \$25,000,000 may be used to provide grants to local government
33 units for public water system-related projects under subsection (b) of
34 this section.

35 **SECTION 13.8.(b)** Definitions. – The definitions in G.S. 159G-20 and the
36 following definitions apply in this section. In addition, the following definitions shall
37 apply in this section unless otherwise provided:

- 38 (1) Ability to pay. – An assessment of the ability of a local government
39 unit to pay for a water infrastructure project as calculated annually by
40 the Division of Community Assistance in the Department of
41 Commerce.
42 (2) Economically distressed area. – Any of the following:
43 a. An economically distressed county as defined in
44 G.S. 143B-437.01.

1 b. That part of a county in which the poverty rate is at least one
2 hundred fifty percent (150%) of the State poverty rate. The
3 poverty rate is the percentage of the population whose income
4 is below the most recent federal poverty level set by the U.S.
5 Bureau of the Census.

6 c. That part of a county that experiences an actual or imminent
7 loss of jobs in a number equal to or greater than five percent
8 (5%) of the total number of jobs in the part.

9 (3) Rural county. – A county with a population density of fewer than 250
10 people per square mile based on the most recent federal decennial
11 census.

12 **SECTION 13.8.(c)** Eligible Applicants; Eligible Projects. – A local
13 government unit is not eligible for a grant under subsection (a) of this section unless it
14 meets the eligibility requirements under subsection (d) or subsection (e) of this section
15 for that type of grant. The funds allocated under this section may be used to provide
16 either a planning grant that meets the requirements under subsection (d) of this section
17 or a supplemental grant that meets the requirements of subsection (e) of this section.
18 The following projects are eligible for receiving a grant under this section:

19 (1) Wastewater collection system.

20 (2) Wastewater treatment works.

21 (3) Public water system.

22 (4) Wastewater and drinking water infrastructure planning.

23 (5) Multijurisdictional wastewater, drinking water, water quality, and
24 stormwater planning.

25 **SECTION 13.8.(d)** Planning Grants. – A planning grant under this section is
26 available for the costs associated with preliminary planning for wastewater collection
27 system projects, wastewater treatment works projects, and public water system projects.
28 Preliminary planning includes developing a capital improvement plan, developing a
29 comprehensive land-use plan, conducting a study, developing a regional or
30 multijurisdictional infrastructure or water quality improvement plan, assembling a
31 financing plan to carry out a project, completing a grant application, and preparing a
32 preliminary engineering report for a proposed project. A planning grant is subject to the
33 following restrictions:

34 (1) Eligibility. – For purposes of this subsection, a regional council of
35 government organized under G.S. 160A-460 or a regional planning
36 and development commission organized under G.S. 153A-391 is
37 considered a local government unit. A local government unit is eligible
38 for a planning grant if it meets the following criteria:

39 a. It is a rural county or is located in one of these counties.

40 b. It is an economically distressed county or is located in an
41 economically distressed county or an economically distressed
42 area.

43 c. It is applying for a regional or multijurisdictional planning
44 project involving two or more units of local government.

- 1 (2) Maximum. – A planning grant shall not exceed forty thousand dollars
2 (\$40,000) for each unit of local government.
- 3 (3) Matching funds. – A local government unit shall match a planning
4 grant on a dollar-for-dollar basis unless the unit meets one or more of
5 the following descriptions, in which instance the Rural Center may
6 require a match of less than fifty percent (50%):
- 7 a. It is an economically distressed county or located in an
8 economically distressed county.
- 9 b. Its poverty rate is at least one hundred fifty percent (150%) of
10 the State poverty rate.
- 11 c. If it is not a county, its ability to pay is less than fifty percent
12 (50%) of the ability to pay of the county in which it is located.

13 **SECTION 13.8.(e)** Supplemental Grants. – A supplemental grant is
14 available to match other funds to be applied to the construction costs of an eligible
15 project. Other funds include federal funds, State funds received under Article 2 of
16 Chapter 159G of the General Statutes, and local funds. A supplemental grant is subject
17 to the following restrictions:

- 18 (1) Eligibility. – A local government unit is eligible for a supplemental
19 grant if it meets the following criteria:
- 20 a. It is a rural county or is located in one of these counties.
- 21 b. It adopts a resolution to set the household user fee for water and
22 sewer service in the area served by the project at an amount that
23 equals or exceeds the high-unit-cost threshold.
- 24 (2) Maximum. – A supplemental grant shall not exceed five hundred
25 thousand dollars (\$500,000) unless the applicant meets one or more of
26 these descriptions:
- 27 a. It is an economically distressed county or is located in an
28 economically distressed county.
- 29 b. Its poverty rate is at least one hundred fifty percent (150%) of
30 the State poverty rate.
- 31 c. If it is not a county, its ability to pay is less than fifty percent
32 (50%) of the ability to pay of the county in which it is located.
- 33 (3) Matching funds. – A local government unit shall match a supplemental
34 grant on a dollar-for-dollar basis unless the unit meets one or more of
35 the following descriptions, in which instance the Rural Center may
36 require a match of less than fifty percent (50%):
- 37 a. It is an economically distressed county or is located in an
38 economically distressed county.
- 39 b. Its poverty rate is at least one hundred fifty percent (150%) of
40 the State poverty rate.
- 41 c. If it is not a county, its ability to pay is less than fifty percent
42 (50%) of the ability to pay of the county in which it is located.

43 **SECTION 13.8.(f)** Criteria for Grants. – The criteria in G.S. 159G-23, the
44 criteria set out in this section, and any other criteria established by the Board of

1 Directors of the Rural Center shall apply to a grant provided under this section. An
2 application for a project that serves an economically distressed area shall have priority
3 over a project that does not.

4 **SECTION 13.8.(g)** Grant Applications. – Any application for a grant under
5 this section shall be submitted by the local government unit to the Rural Center. An
6 application shall be submitted on a form prescribed by the Rural Center and shall
7 contain the information required by the Rural Center. An applicant shall submit to the
8 Rural Center any additional information requested by the Rural Center to enable the
9 Rural Center to make a determination on the application. An application that does not
10 contain information required on the application or requested by the Rural Center is
11 incomplete and is not eligible for consideration. An applicant may submit an application
12 in as many categories as it is eligible for consideration under this section.

13 **SECTION 13.8.(h)** Environmental Assessment. – An application submitted
14 under this section for any grant other than a planning grant for a project under
15 subdivision (b)(4) or (b)(5) of this section shall state whether the project to be funded by
16 the grant requires an environmental assessment. If the application indicates that an
17 environmental assessment is not required, it must identify the exclusion in the North
18 Carolina Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes,
19 that applies to the project. The Rural Center shall give the Department of Environment
20 and Natural Resources a copy of an application that indicates an environmental
21 assessment is not required. If the Department of Environment and Natural Resources
22 determines that the project requires an environmental assessment, the Department shall
23 notify the Rural Center and the applicant, and the applicant shall submit the assessment
24 to the Department before the Center continues its review of the application.

25 An application that does not identify an exclusion in the North Carolina
26 Environmental Policy Act shall include the environmental assessment of the project's
27 probable impacts on the environment that was submitted to the Department of
28 Environment and Natural Resources. If the Department notifies the Rural Center that an
29 environmental impact statement is required, the Rural Center shall not award the
30 applicant a grant until a final environmental assessment impact statement has been
31 completed and approved as provided in the Environmental Policy Act.

32 **SECTION 13.8.(i)** Review of Applications and Award of Grant. –

33 (1) Point Assignment. – The Rural Center shall review all grant
34 applications submitted under this section for an application period, to
35 be determined by the Rural Center, and shall rank each application in
36 accordance with the points assigned to the evaluation criteria. The
37 Rural Center shall make a written determination of an application's
38 rank and attach the determination to the application. The Rural
39 Center's determination of rank is conclusive.

40 (2) Reconsideration. – When an application's rank is too low to receive an
41 award of a grant for the application period, the Rural Center may
42 reconsider an amended application, provided the application addresses
43 questions from the previous grant round.

- 1 (3) Notification of decision. – When the Rural Center determines that an
2 application's rank makes it eligible for an award of a grant, the Rural
3 Center shall send the applicant a letter of intent to award the grant. The
4 notice shall set out any conditions the applicant must meet to receive
5 an award of a grant. When the applicant satisfies the conditions set out
6 in the letter of intent, the Rural Center shall send the applicant an offer
7 to award a grant. The applicant shall give the Rural Center written
8 notice of whether it accepts or rejects the offer. A grant is considered
9 awarded the date the offer to award the grant is sent by the Rural
10 Center.

11 **SECTION 13.8.(j)** Disbursement of Grant. – A planning grant awarded
12 under this section may be disbursed in one payment. Other grants awarded under this
13 section shall be disbursed in two or more payments based on the progress of the project
14 for which the grant was awarded. To obtain a payment, a grant recipient shall submit a
15 request for payment to the Rural Center and shall document the expenditures for which
16 the payment is requested. The Rural Center shall review the payment request for
17 compliance with all grant conditions.

18 **SECTION 13.8.(k)** Withdrawal of Grant. – An award for a grant for a
19 project is withdrawn if the applicant fails to enter into a construction contract for the
20 project within one year after the date of the award for supplemental grants under
21 subsection (d) of this section, unless the Board of Directors of the Rural Center finds
22 that the applicant has good cause for the failure. If the Rural Center finds good cause for
23 an applicant's failure, the Rural Center shall set a date by which the applicant must take
24 action or forfeit the grant. This subsection does not apply to a planning grant for a
25 project under subdivision (b)(4) or (b)(5) of this section.

26 **SECTION 13.8.(l)** Inspection of Project. –

- 27 (1) Authority. – The Rural Center may inspect a project for which it
28 awards a grant under this section to determine the progress made on
29 the project and whether the construction of the project is consistent
30 with the project described in the grant application. The inspection may
31 be performed by personnel of the Rural Center or by a professional
32 engineer licensed under Chapter 89C of the General Statutes.
- 33 (2) Disqualification. – An individual may not perform an inspection of a
34 project under this section if the individual meets any of the following
35 criteria:
- 36 a. Is an officer or employee of the local government unit that
37 received the grant award for the project.
 - 38 b. Is an owner, officer, employee, or agent of a contractor or
39 subcontractor engaged in the construction of the project for
40 which the grant was made.

41 **SECTION 13.8.(m)** The Rural Center may use a portion of the funds
42 allocated under this section for administration, not to exceed two percent (2%), for the
43 life of the grant program created by this section. Of these funds for administrative costs,
44 the sum of two hundred fifty thousand dollars (\$250,000) may be used to fund the

1 ongoing work of the State Water Infrastructure Commission in the 2008-2009 fiscal
2 year.

3 **SECTION 13.8.(n)** Reporting Requirement. – The Rural Center shall report
4 to the Joint Legislative Commission on Governmental Operations on a quarterly basis
5 concerning the progress of the grant program created under this section. The first report
6 is due no later than December 1, 2008.

7 **SECTION 13.8.(o)** Separate Accounts. – Each grant that is provided under
8 this section shall be administered through a separate account.

9 **SECTION 13.8.(p)** Loans Prohibited. – The Rural Center shall not use the
10 funds allocated under this section to make loans.

11 **RURAL CENTER ECONOMIC INFRASTRUCTURE FUND**

12 **SECTION 13.9.(a)** Of the funds appropriated in this act to the North
13 Carolina Rural Economic Development Center, Inc. (Rural Center), the sum of ten
14 million dollars (\$10,000,000) for the 2008-2009 fiscal year shall be used to expand the
15 North Carolina Rural Economic Infrastructure Fund with targeted priority to severely
16 distressed rural areas.

17 **SECTION 13.9.(b)** The Rural Center shall use the funds appropriated in this
18 act to establish and implement the Rural Economic Transition Program. This program
19 shall provide grants and equity investments to carry out transformative economic
20 development and agricultural enhancement projects that will generate jobs and expand
21 business activity.

22 **SECTION 13.9.(c)** Units of local government and nonprofit organizations in
23 rural areas are eligible for grants, with priority to applicants in development tier one
24 areas as defined in G.S. 143B-437.08.

25 **SECTION 13.9.(d)** Priority for grant funds shall be given to economic
26 development projects that satisfy one or more of the following criteria:

- 27 (1) It is located in a county or census area with a persistently high poverty
28 rate of at least one hundred fifty percent (150%) of the State's poverty
29 rate according to the most recent decennial census.
- 30 (2) It is located in a community that has experienced a sudden and severe
31 economic downturn as reflected in numbers of business closings,
32 layoffs, and unemployment rate during the previous 12 months.
- 33 (3) It is located in a small town with a population under 10,000, an
34 agrarian growth zone as defined in G.S. 143B-437.010, or an urban
35 progress zone as defined in G.S. 143B-437.09.
- 36 (4) It is identified in community-based strategic planning efforts and
37 coordinated with other economic development and
38 community-building initiatives, such as the North Carolina Rural
39 Economic Development Center Small Town Economic Prosperity
40 Program, the North Carolina Department of Commerce 21st Century
41 Communities Program, the North Carolina Department of Commerce
42 Main Street Program, and federally funded Comprehensive Economic
43 Development Strategies.
- 44

1 (5) It is supportive of strategies to expand entrepreneurial small business
2 activity based on the natural, cultural, or historical assets of the
3 community.

4 (6) It has the ability to demonstrate benefits to small farm business
5 diversifying into value-added production and marketing, and it
6 increases opportunities in food and beverage manufacturing and
7 distribution for small farm entrepreneurs.

8 **SECTION 13.9.(e)** Eligible units of local government and nonprofit
9 organizations are not required to match grants received under this section, but shall
10 demonstrate the commitment of other funds to the project.

11 **SECTION 13.9.(f)** Up to twenty percent (20%) of the funds appropriated in
12 this section may be used for equity investments and loans through the Rural Venture
13 Fund to private business ventures that will substantially transform and improve the
14 economic status of rural areas, with priority to businesses locating or expanding in
15 development tier one areas as defined in G.S. 143B-437.08.

16 **SECTION 13.9.(g)** The Rural Center may use a portion of the funds
17 appropriated under this section, not to exceed two percent (2%), for administration of
18 the programs created by this section.

19 **SECTION 13.9.(h)** The Rural Center may contract with other State agencies
20 and branches of The University of North Carolina for certain aspects of the programs
21 created under this section, including the design of program guidelines and evaluation of
22 program results.

23 **SECTION 13.9.(i)** The Rural Center shall report to the Joint Legislative
24 Commission on Governmental Operations on a quarterly basis concerning the progress
25 of the programs created under this section. The first report is due no later than
26 December 1, 2008.

27
28 **PART XIV. JUDICIAL DEPARTMENT**

29
30 **PILOT PROGRAM FOR ALTERNATIVE SCHEDULING**

31 **SECTION 14.1.** Of the funds appropriated to the Office of Indigent Defense
32 Services in this act, the Office of Indigent Defense Services may spend up to the sum of
33 twenty-five thousand dollars (\$25,000) to support one or more pilot programs of
34 alternative scheduling in district or superior court that would reduce defense attorney
35 wait time and State expense. The establishment of any pilot program under this section
36 would require the prior agreement of the district attorney, chief district court judge, and
37 senior resident superior court judge for the district.

38
39 **STUDY TO IDENTIFY MISDEMEANORS THAT SHOULD BE**
40 **DECRIMINALIZED**

41 **SECTION 14.2.** Of the funds appropriated to the Office of Indigent Defense
42 Services in this act, the Office of Indigent Defense Services may spend up to the sum of
43 ten thousand dollars (\$10,000) to conduct a study, in consultation with the
44 Administrative Office of the Courts and the Sentencing and Policy Advisory

1 Commission, to determine whether there are offenses that are currently classified as
2 misdemeanors that should be infractions because jail sentences are rarely or never
3 imposed and because significant State funds are being spent for the representation of
4 indigent persons accused of the misdemeanors. A report on the results of this study shall
5 be included in the Office of Indigent Defense Services' annual report due March 1,
6 2009.

7
8 **OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION OF EXISTING**
9 **PUBLIC DEFENDER OFFICES**

10 **SECTION 14.3.** Section 14.4(a) of S.L. 2007-323 reads as rewritten:

11 **"SECTION 14.4.(a)** The Judicial Department, Office of Indigent Defense Services,
12 may use up to the sum of two million one hundred ninety-two thousand three hundred
13 fifty dollars (\$2,192,350) in appropriated funds during the 2007-2008 fiscal year ~~and up~~
14 ~~to the sum of two million eighty two thousand five hundred ten dollars (\$2,082,510) in~~
15 ~~appropriated funds during the 2008-2009 fiscal year~~ for the expansion of existing or
16 new public defender offices currently providing legal services to the indigent population
17 under the oversight of the Office of Indigent Defense Services by creating up to 20 new
18 attorney positions and 10 new support staff ~~positions.~~ positions during the 2007-2008
19 fiscal year. In addition, the Office of Indigent Defense Services may use up to the sum
20 of two million three hundred thousand eight hundred fifty dollars (\$2,300,850) in
21 appropriated funds during the 2008-2009 fiscal year to create up to 20 new attorney and
22 10 new support staff positions in existing offices during the 2008-2009 fiscal year.
23 These funds may be used for salaries, benefits, equipment, and related expenses. Prior
24 to using funds for this purpose, the Office of Indigent Defense Services shall report to
25 the Chairs of the House of Representatives and the Senate Appropriations
26 Subcommittees on Justice and Public Safety on the proposed expansion."
27

28 **AUTHORIZE REGIONAL PUBLIC DEFENDER OFFICES**

29 **SECTION 14.4.** Section 14.4(b) of S.L. 2007-323 reads as rewritten:

30 **"SECTION 14.4.(b)** Notwithstanding the provisions of G.S. 7A-498.7(a), the
31 Indigent Defense Services Commission may establish additional district or regional
32 public defender offices during the 2007-2009 fiscal biennium. Of the funds appropriated
33 in this act to the Office of Indigent Defense Services, the Office may use up to the sum
34 of one million five hundred seventy thousand fifty-seven dollars (\$1,570,057) during
35 the 2008-2009 fiscal year to establish these offices. These funds may be used for
36 recurring and nonrecurring personnel and operating costs in the new offices. No more
37 than the sum of two hundred twenty-five thousand dollars (\$225,000) may be used for
38 positions in the Office of Indigent Defense Services directly related to facilitating the
39 establishment of these offices.

40 The Office of Indigent Defense Services shall report to the Chairs of the Senate and
41 House Appropriations Subcommittees on Justice and Public Safety and to the Fiscal
42 Research Division no later than October 1, ~~2007,~~2008, on the location and
43 establishment of the new public defender offices."
44

1 **REPEAL JUDICIAL DEPARTMENT GRANT FUNDS MATCHING**
 2 **AUTHORIZATION AND REPORTING REQUIREMENT**

3 **SECTION 14.5.** Section 14.2 of S.L. 2007-323 is repealed.
 4

5 **ADDITIONAL ASSISTANT DISTRICT ATTORNEYS**

6 **SECTION 14.6.** G.S. 7A-60(a1) reads as rewritten:

7 "(a1) The counties of the State are organized into prosecutorial districts, and each
 8 district has the counties and the number of full-time assistant district attorneys set forth
 9 in the following table:

10			No. of Full-Time
11	Prosecutorial		Asst. District
12	District	Counties	Attorneys
13	1	Camden, Chowan, Currituck,	11
14		Dare, Gates, Pasquotank,	
15		Perquimans	
16	2	Beaufort, Hyde, Martin,	7 8
17		Tyrrell, Washington	
18	3A	Pitt	11
19	3B	Carteret, Craven, Pamlico	12
20	4	Duplin, Jones, Onslow,	18
21		Sampson	
22	5	New Hanover, Pender	17 18
23	6A	Halifax	5
24	6B	Bertie, Hertford,	6
25		Northampton	
26	7	Edgecombe, Nash, Wilson	18 19
27	8	Greene, Lenoir, Wayne	14
28	9	Franklin, Granville,	12
29		Vance, Warren	
30	9A	Person, Caswell	5 6
31	10	Wake	39 41
32	11	Harnett, Johnston, Lee	17 18
33	12	Cumberland	22 23
34	13	Bladen, Brunswick, Columbus	13
35	14	Durham	16 18
36	15A	Alamance	10 11
37	15B	Orange, Chatham	10
38	16A	Scotland, Hoke	6 7
39	16B	Robeson	13
40	17A	Rockingham	6 7
41	17B	Stokes, Surry	7 8
42	18	Guilford	31 32
43	19A	Cabarrus	9
44	19B	Montgomery, Randolph	9 10

1	19C	Rowan	7 <u>8</u>
2	19D	Moore	5
3	20A	Anson, Richmond,	44 <u>12</u>
4		Stanly	
5	20B	Union	9 <u>10</u>
6	21	Forsyth	24 <u>25</u>
7	22	Alexander, Davidson, Davie,	20
8		Iredell	
9	23	Alleghany, Ashe, Wilkes,	8
10		Yadkin	
11	24	Avery, Madison, Mitchell,	7
12		Watauga, Yancey	
13	25	Burke, Caldwell, Catawba	18 <u>19</u>
14	26	Mecklenburg	53 <u>57</u>
15	27A	Gaston	14 <u>15</u>
16	27B	Cleveland,	40 <u>11</u>
17		Lincoln	
18	28	Buncombe	43 <u>14</u>
19	29A	McDowell, Rutherford	7
20	29B	Henderson, Polk, Transylvania	8
21	30	Cherokee, Clay, Graham,	11
22		Haywood, Jackson, Macon,	
23		Swain."	

FEASIBILITY STUDY ON PROVIDING THE OFFICE OF INDIGENT DEFENSE SERVICES WITH INDIGENT CASE INFORMATION WHEN CASES ARE INITIATED

SECTION 14.7. The Office of Indigent Defense Services and the Administrative Office of the Courts shall consult on developing a statewide system to enable the Office of Indigent Defense Services to obtain information about indigent cases when counsel is first appointed and shall develop a proposal for statewide implementation of such a system. A report on this proposal shall be included in the Office of Indigent Defense Services' annual report due March 1, 2009.

JCPC EFFECTIVENESS STUDY

SECTION 14.8.(a) The Judicial Department, through the North Carolina Sentencing and Policy Advisory Commission, shall conduct a feasibility study for measuring the effectiveness of programs that receive Juvenile Crime Prevention Council (JCPC) grant funds. All State agencies and community-based programs that receive JCPC funding shall provide data as requested by the Commission.

The Sentencing and Policy Advisory Commission shall provide an interim report on the results of the feasibility study to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of

1 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
2 by December 1, 2008. The final plan for measuring the effectiveness of JCPC programs
3 shall be provided to the Chairs of the Senate and House of Representatives
4 Appropriations Committees and the Chairs of the Senate and House of Representatives
5 Appropriations Subcommittees on Justice and Public Safety by May 1, 2009.

6 **SECTION 14.8.(b)** G.S. 143B-519 is repealed.

7
8 **PART XV. DEPARTMENT OF JUSTICE**

9
10 **FUNDS FOR PENDING CIVIL LITIGATION EXPENSES**

11 **SECTION 15.1.** Notwithstanding G.S. 143-215.3A, from funds in the Water
12 and Air Quality Account, the Department of Environment and Natural Resources shall
13 transfer the sum of one million dollars (\$1,000,000) for the 2008-2009 fiscal year to the
14 Office of State Budget and Management, Litigation Reserve. These funds shall be used
15 by the Department of Justice solely for expenses related to either ex rel. Cooper v.
16 Tennessee Valley Authority, No. 1:06CV20 (W.D.N.C. filed Jan 30, 2006) or South
17 Carolina v. North Carolina, No. 220138 ORG (U.S. Sup. Ct. filed June 7, 2007). Any of
18 these funds that remain unused on June 30, 2009, shall revert to the Water and Air
19 Quality Account.

20
21 **USE OF SEIZED AND FORFEITED RECEIPTS FOR REPLACEMENT**
22 **LABORATORY EQUIPMENT AND FORENSIC FIREARMS ANALYST**
23 **START-UP COSTS**

24 **SECTION 15.2.** The Department of Justice is authorized to use up to one
25 hundred forty thousand dollars (\$140,000) of receipts transferred to the Department
26 pursuant to applicable federal law to purchase replacement laboratory equipment and
27 for start-up costs associated with the forensic firearms analyst positions approved in this
28 act. Notwithstanding Section 15.3 of S.L. 2007-323, the Department is not required to
29 seek prior approval to use these funds for the purposes described in this section.

30
31 **PART XVI. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY**
32 **PREVENTION**

33
34 **JCPC GRANT REPORTING AND CERTIFICATION**

35 **SECTION 16.1.(a)** Section 18.2(a) of S.L. 2007-323 reads as rewritten:

36 "**SECTION 18.2.(a)** On or before ~~April 1~~ October 1 of each year, the Department
37 of Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative
38 Commission on Governmental Operations and the Appropriations Committees of the
39 Senate and House of Representatives a list of the recipients of the grants awarded, or
40 preapproved for award, from funds appropriated to the Department for local Juvenile
41 Crime Prevention Council grants. ~~The list shall include for each recipient grants,~~
42 including:

43 (1) the ~~The~~ amount of the grant ~~awarded,~~ awarded.

- 1 (2) ~~the~~ The membership of the local committee or council administering
- 2 the award funds on the local ~~level, and~~ level.
- 3 (3) The type of program funded.
- 4 (4) a ~~A~~ short description of the local services, programs, or projects that
- 5 will receive ~~funds.~~ funds.
- 6 (5) ~~The list shall also identify~~ Identification of any programs that received
- 7 grant funds at one time but for which funding has been eliminated by
- 8 the ~~Department of Juvenile Justice and Delinquency Prevention.~~
- 9 Department.
- 10 (6) The number of at-risk, diverted, and adjudicated juveniles served by
- 11 county.
- 12 (7) The Department's actions to ensure that county JCPC's prioritize
- 13 funding for dispositions of intermediate and community-level
- 14 sanctions for court-adjudicated juveniles under minimum standards
- 15 adopted by the Department.
- 16 (8) The total cost for each funded program, including the cost per juvenile
- 17 and the essential elements of the program.

18 A written copy of the list and other information regarding the projects shall also be
19 sent to the Fiscal Research Division of the General Assembly."

20 **SECTION 16.1.(b)** Section 18.2(d) of S.L. 2007-323 is repealed.

21
22 **SUPPORT OUR STUDENTS (SOS) GRANT ELIGIBILITY**

23 **SECTION 16.2.** G.S. 143B-152.4(a) reads as rewritten:

24 "(a) ~~A~~Any of the following may apply for a grant:

- 25 (1) ~~A community- or neighborhood-based 501(c)(3) entity or a consortium~~
- 26 ~~consisting of one or more local 501(c)(3) entities and one or more~~
- 27 ~~local school administrative units may apply for a grant.~~entity.
- 28 (2) A community-based, public or private nonprofit, tax exempt
- 29 organization.
- 30 (3) A school system.
- 31 (4) A local government agency."

32
33 **JUVENILE CRIME PREVENTION COUNCILS (JCPC) FORMULA REVISION**

34 **SECTION 16.3.** The Department of Juvenile Justice and Delinquency
35 Prevention, the NC Juvenile Services Association, and the Community Alternatives for
36 Youth, in consultation with the Fiscal Research Division, shall develop and propose a
37 revision to the county allocation formula for Juvenile Crime Prevention Councils. The
38 Department shall report the recommendations to the Joint Legislative Corrections,
39 Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the House of
40 Representatives and Senate Appropriations Committees and the Chairs of the
41 Subcommittees on Justice and Public Safety of the House of Representatives and Senate
42 Appropriations Committees by December 1, 2008.

43
44 **STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS**

1 **SECTION 16.4.** Section 18.5 of S.L. 2007-323 reads as rewritten:

2 **"SECTION 18.5.** Funds appropriated in this act from the General Fund to the
3 Department of Juvenile Justice and Delinquency Prevention for the ~~2007-2008 fiscal~~
4 ~~year-2008-2009 fiscal year~~ may be used as matching funds for the Juvenile
5 Accountability Incentive Block Grants. If North Carolina receives Juvenile
6 Accountability Incentive Block Grants, or a notice of funds to be awarded, the Office of
7 State Budget and Management and the Governor's Crime Commission shall consult
8 with the Department of Juvenile Justice and Delinquency Prevention regarding the
9 criteria for awarding federal funds. The Office of State Budget and Management, the
10 Governor's Crime Commission, and the Department of Juvenile Justice and
11 Delinquency Prevention shall report to the Appropriations Committees of the House of
12 Representatives and Senate and the Joint Legislative Commission on Governmental
13 Operations prior to allocation of the federal funds. The report shall identify the amount
14 of funds to be received for the ~~2007-2008 fiscal year~~, 2008-2009 fiscal year, the amount
15 of funds anticipated for the ~~2008-2009 fiscal year~~, 2009-2010 fiscal year, and the
16 allocation of funds by program and purpose."
17

18 **PART XVII. DEPARTMENT OF CORRECTION**

19 **TEMPORARY HOUSING FUNDS**

20 **SECTION 17.1.** The Department of Correction may use funds available
21 during the 2008-2009 fiscal year to secure appropriate temporary housing for offenders
22 on post-release supervision, probation, or parole. The Department may use available
23 funds to establish contracts with homeless shelters, halfway houses, and other housing
24 providers to provide temporary housing for offenders who do not have a viable home
25 placement plan and are at risk of being homeless.
26
27

28 **FEDERAL GRANT MATCHING FUNDS**

29 **SECTION 17.2.** Section 17.12 of S.L. 2007-323 reads as rewritten:

30 **"SECTION 17.12.** Notwithstanding the provisions of G.S.143C-6-9, the
31 Department of Correction may use up to the sum of one million two hundred thousand
32 dollars (\$1,200,000) during the 2007-2008 fiscal year and up to the sum of one million
33 five hundred thousand dollars (\$1,500,000) during the 2008-2009 fiscal year from funds
34 available to the Department to provide the State match needed in order to receive
35 federal grant funds. Prior to using funds for this purpose, the Department shall report to
36 the Chairs of the House of Representatives and Senate Appropriations Subcommittees
37 on Justice and Public Safety and the Joint Legislative Commission on Governmental
38 Operations on the grants to be matched using these funds."
39

40 **RESERVE FUND FOR PROBATION AND PAROLE STAFFING AND** 41 **RESOURCES**

42 **SECTION 17.3.** Of the funds appropriated in this act to the Department of
43 Correction, a reserve fund of three million dollars (\$3,000,000) is established in the
44 Office of State Budget and Management to address critical staffing and resource needs

1 in Probation and Parole Field Services, Department of Correction. The designation of
2 these funds is pending the outcome of a National Institute of Corrections review. The
3 sum of one million dollars (\$1,000,000) in nonrecurring funds in the reserve shall not
4 revert at the end of the fiscal year, but shall remain available to the Department for the
5 purposes identified in the NIC review.

6 Prior to using any funds from the reserve authorized by this section, the
7 Department of Correction shall consult with the Joint Legislative Commission on
8 Governmental Operations and the Chairs of the House of Representatives and Senate
9 Appropriations Subcommittees on Justice and Public Safety on the proposed use of the
10 funds and the reasons for the proposal.

11 12 **REPORT ON PROBATION AND PAROLE CASELOADS**

13 **SECTION 17.4.** Section 17.16 of S.L. 2007-323 reads as rewritten:

14 **"SECTION 17.16.(a)** The Department of Correction shall report by March 1 of
15 each year to the Chairs of the House of Representatives and Senate Appropriations
16 Subcommittees on Justice and Public Safety and the Joint Legislative Corrections,
17 Crime Control, and Juvenile Justice Oversight Committee on caseload averages for
18 probation and parole officers. The report shall include:

- 19 (1) Data on current caseload averages for Probation Parole Officer I,
20 Probation Parole Officer II, ~~and Probation Parole Officer III positions;~~
21 and Chief Probation Parole Officer positions;
- 22 (2) An analysis of the optimal caseloads for these officer classifications;
- 23 (3) An assessment of the role of surveillance officers;
- 24 (4) The number and role of paraprofessionals in supervising low-risk
25 caseloads;
- 26 (5) An update on the Department's implementation of the
27 recommendations contained in the National Institute of Correction
28 study conducted on the Division of Community Corrections in 2004;
- 29 (6) ~~The selection of a risk assessment and the resulting distribution of~~
30 ~~offenders among risk levels;~~ The process of assigning offenders to an
31 appropriate supervision level based on a risk assessment, and an
32 examination of other existing resources for assessment and case
33 planning, including the Sentencing Services Program in the Office of
34 Indigent Defense Services, and the range of screening and assessment
35 services provided by the Division of Mental Health, Developmental
36 Disability, and Substance Abuse Services in the Department of Health
37 and Human Services; and
- 38 (7) Any position reallocations in the previous 12 months, and the reasons
39 for and fiscal impact of those reallocations.

40 **SECTION 17.16.(b)** The Department of Correction shall conduct a study of
41 probation/parole officer workload at least biannually. The study shall include analysis of
42 the type of offenders supervised, the distribution of the probation/parole officers' time
43 by type of activity, the caseload carried by the officers, and comparisons to practices in
44 other states. The study shall be used to determine whether the caseload goals established

1 by the Structured Sentencing Act are still appropriate, based on the nature of the
2 offenders supervised and the time required to supervise those offenders.

3 **SECTION 17.16.(c)** The Department of Correction shall report the results of the
4 study and recommendations for any adjustments to caseload goals to the House of
5 Representatives and Senate Appropriations Subcommittees on Justice and Public Safety
6 by January 1, 2009.

7 **SECTION 17.16.(d)** The Office of State Personnel, in conjunction with the
8 Department of Correction, shall conduct a compensation study of Probation Parole
9 Officers, including a comparison with other states, Juvenile Justice court counselors,
10 other law enforcement, social workers, and other comparable job classifications with a
11 role in assessing client needs and developing case plans to address those risks and
12 needs. The Office of State Personnel shall report the results of the study and
13 recommendations for any adjustments to the House of Representatives and Senate
14 Appropriations Subcommittees on Justice and Public Safety by March 1, 2009."

15 16 **PART XVIII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY**

17 18 **GOVERNOR'S CRIME COMMISSION STUDY/EXPAND JUVENILE** 19 **JURISDICTION**

20 **SECTION 18.1.(a)** The Governor's Crime Commission and its adjunct
21 committees shall study the legal, systematic, and organizational impact of expanding the
22 jurisdiction of the Department of Juvenile Justice and Delinquency Prevention to
23 include persons 16 and 17 years of age who commit crimes or infractions under State
24 law or under an ordinance of local government. In particular, the Commission shall
25 perform the following functions regarding the proposed expansion of the jurisdiction of
26 the Department of Juvenile Justice and Delinquency Prevention to include 16- and
27 17-year-olds who commit crimes or infractions under State or local law:

- 28 (1) Identify the costs to the State court system and State and local law
29 enforcement.
- 30 (2) Review the relevant State laws that should be conformed or amended,
31 including, but not limited to, the motor vehicle and criminal laws, the
32 laws regarding expunction of criminal records, and other juvenile laws.
- 33 (3) Review the experience of any other states which have within recent
34 years expanded the juvenile justice jurisdiction to 16- and
35 17-year-olds.
- 36 (4) Identify the practical issues for the Department of Juvenile Justice and
37 Delinquency Prevention to implement best practices for programs and
38 facilities that would meet the unique needs of the older youth under the
39 proposal without adversely affecting the existing departmental
40 programming.
- 41 (5) Review the relevant State laws on sharing of juvenile information with
42 other State departments and agencies.

- 1 (6) Create a specific plan of the actions that are necessary to implement
2 the expansion of the jurisdiction of the Department of Juvenile Justice
3 and Delinquency Prevention.
4 (7) Determine the total cost of expanding the jurisdiction of the
5 Department of Juvenile Justice and Delinquency Prevention.
6 (8) Conduct a cost benefit analysis of expanding the jurisdiction of the
7 Department of Juvenile Justice and Delinquency Prevention with
8 specific information on possible future fiscal savings anywhere within
9 State government as a result of expenditures necessary to implement
10 the expansion.
11 (9) Determine whether federal or other funds are available to aid in the
12 transition and expansion, or both, of the age of juvenile jurisdiction to
13 16- and 17-year-olds.

14 **SECTION 18.1.(b)** The Commission may contract with an independent
15 group or groups for the oversight and management of this study project, a service needs
16 study, and a courts study, and to periodically report those findings to the Commission.

17 **SECTION 18.1.(c)** The Department of Juvenile Justice and Delinquency
18 Prevention and all other departments, agencies, institutions, or officers of the State or
19 any political subdivision of the State, shall cooperate with the Commission in this study,
20 shall provide the Commission with any requested facilities, data, or other assistance,
21 and help the Commission identify any collateral effect which might result from
22 implementation of the proposal on the program and operations of the relevant State
23 department, agency, or the political subdivision.

24 **SECTION 18.1.(d)** The Commission shall submit a final report of its
25 findings and legislative, administrative, and funding recommendations by April 1, 2009,
26 to the General Assembly and the Governor.

27 In addition to its final report, the Commission shall report in writing on the
28 progress of this study on a quarterly basis beginning on October 1, 2008, and by the first
29 day of every quarter thereafter until the Commission submits its final report to the
30 General Assembly, to the chairs and cochairs, as applicable, of the standing committees
31 or subcommittees of the General Assembly listed in subsections (e) and (f) of this
32 section. A copy of each progress report made to the standing committee and
33 subcommittee chairs shall also be filed in the Legislative Library.

34 **SECTION 18.1.(e)** The Commission shall report to all of the following
35 standing committees or subcommittees in the House of Representatives pursuant to this
36 section:

- 37 (1) Appropriations: Justice and Public Safety.
38 (2) Children, Youth, and Families.
39 (3) Education: Preschool, Elementary, and Secondary Education.
40 (4) Juvenile Justice.
41 (5) All of the Judiciary Committees.

42 **SECTION 18.1.(f)** The Commission shall report to all of the following
43 standing committees or subcommittees in the Senate pursuant to this section:

- 44 (1) Appropriations: Justice and Public Safety.

(2) Education and Higher Education.

(3) All of the Judiciary Committees.

SECTION 18.1.(g) Of the funds appropriated by this act to the Department of Crime Control and Public Safety, the Governor's Crime Commission for the 2008-2009 fiscal year, the Commission may use up to two hundred thousand dollars (\$200,000) to conduct the study authorized by this section. The Commission may also apply for, receive, or accept grants and contributions from any source of money or any other thing of value to be held and used for the purposes of the study authorized by this section.

ENHANCE RAPE VICTIMS ASSISTANCE PROGRAM

SECTION 18.2.(a) G.S. 143B-480.2 reads as rewritten:

"§ 143B-480.2. Victim assistance.

(a) Eligibility for Assistance. – Sexual assault victims or victims of attempted sexual assault are eligible for assistance under this Program if the sexual assault or the attempted sexual assault is reported to a law enforcement officer within ~~five days~~72 hours of the occurrence of the assault or the attempted sexual assault and if a forensic medical examination is performed within ~~five days~~72 hours of the sexual assault or the attempted sexual assault. The Secretary may waive either ~~five day~~72-hour requirement for good cause. The term "sexual assault" as used in this section refers to the following crimes: first-degree rape as defined in G.S. 14-27.2, second-degree rape as defined in G.S. 14-27.3, first-degree sexual offense as defined in G.S. 14-27.4, second-degree sexual offense as defined in G.S. 14-27.5, or statutory rape as defined in G.S. 14-27.7A.

(b) Eligible Expenses. – Assistance is limited to the following expenses incurred by the victim:

- (1) Immediate and short-term medical expenses.
- (2) Ambulance services from the place of the attack to a place where medical treatment is provided.
- (3) Mental health services provided by a professional licensed or certified by the State to provide such services.
- (4) A forensic medical examination. As used in this section, the term "forensic medical examination" means an examination provided to a sexual assault victim eligible for assistance under subsection (a) of this section by medical ~~medical~~-personnel who gather evidence of a sexual assault in a manner suitable for use in a court of law. The examination should include an examination of physical trauma, a patient interview, and a collection and evaluation of evidence.
- (5) Counseling treatment following the attack.

(c) Amount of Assistance. – The Program shall pay for the ~~full out-of-pocket~~ cost of the victim's forensic medical ~~examination~~examination up to eight hundred dollars (\$800.00). Specifically, the Program shall pay amounts for services in accordance with the following schedule:

<u>Service:</u>	<u>Maximum Amount Paid by Program:</u>
-----------------	--

1	<u>Physician or SANE Nurse</u>	<u>\$350.00</u>
2	<u>Hospital/Facility Fee</u>	<u>\$250.00</u>
3	<u>Ambulance Fee</u>	<u>\$200.00</u>
4		
5	<u>Total:</u>	<u>\$800.00</u>
6		

7 The Program shall pay for all other eligible expenses set out in subsection (b) of this
8 section in an amount not to exceed the difference between the ~~full out of pocket~~ cost of
9 the forensic medical examination and one thousand dollars (\$1,000). ~~If the full~~
10 ~~out of pocket cost for the forensic medical examination costs more than one thousand~~
11 ~~dollars (\$1,000), then the Program shall pay only for the full out of pocket cost of the~~
12 ~~forensic medical examination.~~ Assistance not to exceed fifty dollars (\$50.00) shall be
13 provided to victims to replace clothing that was held for evidence tests.

14 (d) ~~Payment Directly to Provider. – With the exception of assistance authorized~~
15 ~~under subsection (f) of this section, assistance for expenses authorized under this section~~
16 ~~is to be paid directly to any hospital, ambulance service, attending physicians, or mental~~
17 ~~health professionals providing counseling, upon the filing of proper forms. Payment for~~
18 ~~the full out of pocket cost of the forensic medical examination shall be paid to the~~
19 ~~provider no later than 90 days after receiving the required written notification of the~~
20 ~~victim's expense.~~ If the entity seeking payment for expenses authorized under this
21 section is a hospital, ambulance service, or mental health professional providing
22 counseling, the Program shall make payment directly to that entity upon the filing of
23 proper forms. If the entity seeking payment for expenses authorized under this section is
24 an attending physician or licensed registered nurse, the Program shall make payment to
25 a hospital, which shall then pay the entity seeking payment. Attending physicians and
26 licensed registered nurses shall not bill or otherwise seek payment directly from the
27 Program, but shall instead seek payment from the hospital that accepted payment on the
28 entity's behalf. No payment for the cost of the forensic medical examination shall be
29 made under this subsection unless the recipient agrees in writing that receipt of that
30 payment shall constitute payment in full for the amount owed for the cost of the
31 examination and expenses related to the examination.

32 (e) ~~Judicial Review. – Upon an adverse determination by the Secretary on a~~
33 ~~claim for medical expenses, a victim is entitled to judicial review of that decision. The~~
34 ~~person seeking review shall file a petition in the Superior Court of Wake County.~~

35 (f) ~~Examinations by Licensed Registered Nurse. – If the forensic medical~~
36 ~~examination is conducted by a licensed registered nurse who has successfully completed~~
37 ~~a program approved under G.S. 90-171.38(b), payment for the full out of pocket cost of~~
38 ~~the forensic medical examination may be made directly to the licensed registered nurse~~
39 ~~in lieu of any payment which may otherwise have been made under subsection (d) of~~
40 ~~this section. Payment for the full out of pocket costs of a forensic medical examination~~
41 ~~under this subsection shall be paid no later than 90 days after receiving the required~~
42 ~~written notification of the victim's expense. The Secretary shall adopt rules to facilitate~~
43 ~~the payments authorized under this subsection and to encourage, whenever practical, the~~

1 use of licensed registered nurses trained under G.S. 90-171.38(b) to conduct medical
2 examinations and procedures."

3 **SECTION 18.2.(b)** G.S. 143B-480.3 reads as rewritten:

4 "**§ 143B-480.3. Reduction of benefits; restitution; actions.**

5 (a) Assistance shall be reduced or denied to the extent the medical expenses are
6 recouped through a public or private insurance plan or other victim benefit
7 ~~source~~.source, except that the Program shall pay any co-payment that the victim is
8 required to pay in connection with the forensic medical examination up to the maximum
9 amount that the Program will pay for a forensic medical exam under
10 G.S. 143B-480.2(c).

11 (b) The Program shall be an eligible recipient for restitution or reparation under
12 G.S. 15A-1021, 15A-1343, 148-33.1, 148-33.2, 148-57.1, and any other applicable
13 statutes.

14 (c) When any victim who:

15 (1) Has received assistance under this Part;

16 (2) Brings an action for damages arising out of the rape, attempted rape,
17 sexual offense, or attempted sexual offense for which she received that
18 assistance; and

19 (3) Recovers damages including the expenses for which she was awarded
20 assistance,

21 the court shall make as part of its judgment an order for reimbursement to the Program
22 of the amount of any assistance awarded less reasonable expenses allocated by the court
23 to that recovery.

24 (d) Funds appropriated to the Department of Crime Control and Public Safety for
25 this program may be used to purchase and distribute rape evidence collection kits
26 approved by the State Bureau of Investigation."

27 **SECTION 18.2.(c)** Of the funds appropriated by this act to the Department
28 of Crime Control and Public Safety for the 2008-2009 fiscal year, the sum of one
29 million seventy-eight thousand seventy-eight dollars (\$1,078,078) may be used to
30 enhance the ability of the Assistance Program for Victims of Rape and Sex Offenses to
31 provide assistance to victims of rape and sexual offenses.

32 33 **REPORT ON THE USE OF ILLEGAL IMMIGRATION PROJECT FUNDS**

34 **SECTION 18.3.** No later than March 1, 2009, the North Carolina Sheriffs'
35 Association shall submit a report to the Chairs of the House and Senate Appropriations
36 Committees and the Chairs of the House and Senate Appropriations Subcommittees on
37 Justice and Public Safety on the operations and effectiveness of the Illegal Immigration
38 Project. The report shall include all of the following:

39 (1) An overview of the program.

40 (2) The program budget.

41 (3) A summary of work done with funds received, which shall include the
42 following information:

43 a. The total number of law enforcement agencies that received
44 funding from the program for officer training.

- b. The total number of officers trained.
 - c. The total number of training sessions administered.
 - d. Copies of educational/informational materials distributed.
- (4) Recommendations on ways that federal, State, and local resources can be used to further improve the effectiveness of the Illegal Immigration Project and other immigration enforcement initiatives.

PART XIX. DEPARTMENT OF ADMINISTRATION

SEXUAL ASSAULT AND RAPE CRISIS CENTER FUND

SECTION 19.1. Article 11 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 3B. Sexual Assault and Rape Crisis Center Fund.

"§ 143B-480.20. Sexual Assault and Rape Crisis Center Fund.

(a) The Sexual Assault and Rape Crisis Center Fund is established within the State Treasury. The fund shall be administered by the Department of Administration, North Carolina Council for Women, and shall be used to make grants to centers for victims of sexual assault or rape crisis and to the North Carolina Coalition Against Sexual Assault, Inc. This fund shall be administered in accordance with the provisions of the State Budget Act under Chapter 143C of the General Statutes. The Department of Administration shall make quarterly grants to each eligible sexual assault or rape crisis center and to the North Carolina Coalition Against Sexual Assault, Inc. To be eligible to receive funds under this section, a sexual assault or rape crisis center shall meet the following requirements:

- (1) Have been in operation on the preceding July 1 and continue to be in operation.
- (2) Offer all of the following services: a hotline, transportation services, community education programs, daytime services, and call forwarding during the night; and fulfill other criteria established by the Department of Administration.
- (3) Be a nonprofit corporation or a local governmental entity.
- (4) Have a mission statement that clearly specifies rape crisis services are provided.
- (5) Act in support of victims of rape or sexual assault by providing assistance to ensure victims' interests are represented in law enforcement and legal proceedings and support and referral services are provided in medical and community settings.

(b) Funds appropriated from the General Fund to the Department of Administration, North Carolina Council for Women, for the Sexual Assault and Rape Crisis Center Fund shall be distributed in two shares. The North Carolina Coalition Against Sexual Assault, Inc., and sexual assault or rape crisis centers whose services are confined to rape crisis or sexual assault services shall receive an equal share of thirty-five percent (35%) of the funds. Organizations whose services contain sexual

1 assault or rape crisis services and domestic violence services or other support services
2 shall receive an equal share of the remaining sixty-five percent (65%) of the funds."

3 4 **SCHOLARSHIPS FOR CHILDREN OF WAR VETERANS**

5 **SECTION 19.2.(a)** G.S. 165-21 reads as rewritten:

6 **"§ 165-21. Scholarship.**

7 (a) A scholarship granted pursuant to this Article shall consist of the following
8 benefits in either a State or private educational institution:

9 (1) With respect to State educational institutions, unless expressly limited
10 elsewhere in this Article, a scholarship shall consist of:

11 a. ~~Tuition;~~ Tuition at the State educational institution.

12 b. ~~A reasonable-standard board allowance;~~ allowance.

13 c. ~~A reasonable-standard room allowance;~~ allowance.

14 d. Matriculation and other institutional fees required to be paid as
15 a condition to remaining in ~~said the~~ institution and pursuing the
16 course of study ~~selected, excluding charges or fees for books,~~
17 ~~supplies, tools and clothing.~~ selected.

18 e. An allowance of five hundred dollars (\$500.00) per academic
19 year for charges or fees for books, supplies, and equipment.

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

22 (3) Only one scholarship may be granted pursuant to this Article with
23 respect to each child and it shall not extend for a longer period than
24 four academic years, which years, however, need not be consecutive.

25 (4) No educational assistance shall be afforded a child under this Article
26 after the end of an eight-year period beginning on the date the
27 scholarship is first awarded. Those persons who have been granted a
28 scholarship under this Article prior to the effective date of this act shall
29 be entitled to the remainder of their period of scholarship eligibility if
30 used prior to August 1, 2010. Whenever a child is enrolled in an
31 educational institution and the period of entitlement ends while
32 enrolled in a term, quarter or semester, such period shall be extended
33 to the end of such term, quarter or semester, but not beyond the
34 entitlement limitation of four academic years.

35 (5) A scholarship awarded to a student under this section shall not exceed
36 the cost of attendance at the State educational institution at which the
37 student is enrolled. If a student, who is eligible for a scholarship under
38 this section, also receives a scholarship or other grant covering the cost
39 of attendance at the State educational institution for which the
40 scholarship is awarded, then the amount of the scholarship shall be
41 reduced by an appropriate amount determined by the State educational
42 institution at which the student is enrolled. The scholarship shall be
43 reduced so that the sum of all grants and scholarship aid covering the
44 cost of attendance received by the student, including the scholarship

under this section, shall not exceed the cost of attendance for the State educational institution at which the student is enrolled.

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

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

SECTION 19.2.(b) G.S. 165-20(6) reads as rewritten:

"(6) "State educational institution" means any constituent institution of The University of North Carolina, educational institution of higher learning which is owned and operated by the State of North Carolina, or any community college operated under the provisions of Chapter 115A and Article 3 of Chapter 116 of the General Statutes of North Carolina, or the college program of the North Carolina School of the Arts, or any technical institute operated under the provisions of Chapter 115A of the Chapter 115D of the General Statutes of North Carolina."

PART XX. OFFICE OF THE STATE CONTROLLER

BEACON STAFF TO SUPPORT STATEWIDE ENTERPRISE TRAINING PROGRAM

SECTION 20.1. The Office of the State Controller shall use existing BEACON receipts to establish eight full-time time-limited positions to support the statewide enterprise training program as follows:

- (1) \$80,375 nonrecurring in fiscal year 2008-2009 for one SAP/NCAS Training Technology Specialist.
(2) \$141,500 nonrecurring in fiscal year 2008-2009 for two SAP/NCAS Staff Development Specialists.
(3) \$353,750 nonrecurring in fiscal year 2008-2009 for five SAP/NCAS Trainers.

PART XXI. HOUSING FINANCE AGENCY

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE HOME PROTECTION PROGRAM

SECTION 21.1.(a) G.S. 122A-3 reads as rewritten:

§ 122A-3. Definitions.

The following words and terms, unless the context clearly indicates a different meaning, shall have the following respective meanings: The following definitions apply in this section:

- (1) "Bonds" or "notes" mean the bonds or the bond anticipation notes or construction loan notes authorized to be issued by the Agency under this Chapter;
(2) "Agency" means the North Carolina Housing Finance Agency created by this Chapter;
(3) Repealed by Session Laws 1973, c. 1296, s. 5;

- 1 (4) ~~Repealed by Session Laws 1973, c. 1296, s. 6;~~
- 2 (5) ~~"Governmental agency" means any department, division, public~~
3 ~~agency, political subdivision or other public instrumentality of the~~
4 ~~State, the federal government, any other State or public agency, or any~~
5 ~~two or more thereof;~~
- 6 (6) ~~Repealed by Session Laws 1973, c. 1296, s. 8;~~
- 7 (7) ~~Repealed by Session Laws 1973, c. 1296, s. 9;~~
- 8 (8) ~~"Mortgage" or "mortgage loan" means a mortgage loan for residential~~
9 ~~housing, including, without limitation, a mortgage loan to finance,~~
10 ~~either temporarily or permanently, the construction, rehabilitation,~~
11 ~~improvement, or acquisition and rehabilitation or improvement of~~
12 ~~residential housing and a mortgage loan insured or guaranteed by the~~
13 ~~United States or an instrumentality thereof or for which there is a~~
14 ~~commitment by the United States or an instrumentality thereof to~~
15 ~~insure such a mortgage;~~
- 16 (9) ~~Repealed by Session Laws 1973, c. 1296, s. 11;~~
- 17 (10) ~~"Obligations" means any bonds or bond anticipation notes authorized~~
18 ~~to be issued by the Agency under the provisions of this Chapter;~~
- 19 (11) ~~"Persons and families of lower income" means persons and families~~
20 ~~deemed by the Agency to require such assistance as is made available~~
21 ~~by this Chapter on account of insufficient personal or family income,~~
22 ~~taking into consideration, without limitation, (i) the amount of the total~~
23 ~~income of such persons and families available for housing needs, (ii)~~
24 ~~the size of the family, (iii) the cost and condition of housing facilities~~
25 ~~available, (iv) the eligibility of such persons and families for federal~~
26 ~~housing assistance of any type predicated upon a lower income basis~~
27 ~~and (v) the ability of such persons and families to compete~~
28 ~~successfully in the normal housing market and to pay the amounts at~~
29 ~~which private enterprise is providing decent, safe and sanitary housing~~
30 ~~and deemed by the Agency therefore to be eligible to occupy~~
31 ~~residential housing financed wholly or in part, with mortgages, or with~~
32 ~~other public or private assistance;~~
- 33 (12) ~~"Residential housing" means a specific work or improvement~~
34 ~~undertaken primarily to provide dwelling accommodations for persons~~
35 ~~and families of lower income, including the rehabilitation of buildings~~
36 ~~and improvements, and such other nonhousing facilities as may be~~
37 ~~incidental or appurtenant thereto;~~
- 38 (13) ~~"State" means the State of North Carolina;~~
- 39 (14) ~~"Federally insured securities" means an evidence of indebtedness~~
40 ~~secured by a first mortgage lien on residential housing for persons of~~
41 ~~lower income and insured or guaranteed as to repayment of principal~~
42 ~~and interest by the United States or any agency or instrumentality~~
43 ~~thereof; and~~

- 1 (15) ~~"Mortgage lenders" means any bank or trust company, savings bank,~~
2 ~~national banking association, savings and loan association, or building~~
3 ~~and loan association, life insurance company, mortgage banking~~
4 ~~company, the federal government and any other financial institution~~
5 ~~authorized to transact business in the State;~~
- 6 (16) ~~"Energy conservation loan" means a loan obtained from a mortgage~~
7 ~~lender for the purpose of satisfying an existing obligation of a~~
8 ~~borrower who is the resident owner of a single family dwelling or of~~
9 ~~"residential housing." The existing obligation of the owner in an~~
10 ~~"energy conservation loan" must have been incurred to pay for the~~
11 ~~purchase of materials or the installation of materials, or both, which~~
12 ~~results in a significant decrease in the amount of consumption of~~
13 ~~nonrenewable sources of energy in order to provide or maintain a~~
14 ~~comfortable level of room temperatures in his residence during the~~
15 ~~winter. "Energy conservation loan" does not include a loan obtained to~~
16 ~~refinance an existing loan agreement unless payment or collection of~~
17 ~~the original loan was guaranteed by the agency.~~
- 18 (17) ~~"Rehabilitation" means the renovation or improvement of residential~~
19 ~~housing by the owner of said residential housing.~~
- 20 (1) Agency. – The North Carolina Housing Finance Agency created by
21 this Chapter.
- 22 (2) Bonds or notes. – The bonds or the bond anticipation notes or
23 construction loan notes authorized to be issued by the Agency under
24 this Chapter.
- 25 (3) Counseling agency. – A nonprofit counseling agency located in North
26 Carolina that is approved by the North Carolina Housing Finance
27 Agency.
- 28 (4) Energy conservation loan. – A loan obtained from a mortgage lender
29 for the purpose of satisfying an existing obligation of a borrower who
30 is the resident owner of a single-family dwelling or of "residential
31 housing." The existing obligation of the owner in an "energy
32 conservation loan" must have been incurred to pay for the purchase of
33 materials or the installation of materials, or both, which results in a
34 significant decrease in the amount of consumption of nonrenewable
35 sources of energy in order to provide or maintain a comfortable level
36 of room temperatures in his residence during the winter. "Energy
37 conservation loan" does not include a loan obtained to refinance an
38 existing loan agreement unless payment or collection of the original
39 loan was guaranteed by the agency.
- 40 (5) Federally insured securities. – An evidence of indebtedness secured by
41 a first mortgage lien on residential housing for persons of lower
42 income and insured or guaranteed as to repayment of principal and
43 interest by the United States or any agency or instrumentality thereof.

- 1 (6) Governmental agency. – Any department, division, public agency,
2 political subdivision, or other public instrumentality of the State, the
3 federal government, any other State or public agency, or any two or
4 more thereof.
- 5 (7) Mortgage or mortgage loan. – A mortgage loan for residential housing,
6 including, without limitation, a mortgage loan to finance, either
7 temporarily or permanently, the construction, rehabilitation,
8 improvement, or acquisition and rehabilitation or improvement of
9 residential housing and a mortgage loan insured or guaranteed by the
10 United States or an instrumentality thereof or for which there is a
11 commitment by the United States or an instrumentality thereof to
12 insure such a mortgage. A mortgage obligation may be evidenced by a
13 security document and secured by a lien upon real property, including
14 a deed of trust and land sale agreement. Mortgage also means an
15 obligation evidenced by a security lien on real property upon which an
16 owner-occupied mobile home is located.
- 17 (8) Mortgage lenders. – Any bank or trust company, savings bank,
18 national banking association, savings and loan association, or building
19 and loan association, life insurance company, mortgage banking
20 company, the federal government, and any other financial institution
21 authorized to transact business in the State.
- 22 (9) Mortgagee. – The owner of a beneficial interest in a mortgage loan, the
23 servicer for the owner of a beneficial interest in a mortgage loan, or the
24 trustee for a securitized trust that holds title to a beneficial interest in a
25 mortgage loan.
- 26 (10) Obligations. – Any bonds or bond anticipation notes authorized to be
27 issued by the Agency under the provisions of this Chapter.
- 28 (11) Persons and families of lower income. – Persons and families deemed
29 by the Agency to require such assistance as is made available by this
30 Chapter on account of insufficient personal or family income, taking
31 into consideration, without limitation, (i) the amount of the total
32 income of such persons and families available for housing needs, (ii)
33 the size of the family, (iii) the cost and condition of housing facilities
34 available, (iv) the eligibility of such persons and families for federal
35 housing assistance of any type predicated upon a lower income basis,
36 and (v) the ability of such persons and families to compete
37 successfully in the normal housing market and to pay the amounts at
38 which private enterprise is providing decent, safe, and sanitary housing
39 and deemed by the Agency therefore to be eligible to occupy
40 residential housing financed wholly or in part, with mortgages, or with
41 other public or private assistance.
- 42 (12) Residential housing. – A specific work or improvement undertaken
43 primarily to provide dwelling accommodations for persons and
44 families of lower income, including the rehabilitation of buildings and

1 improvements, and such other nonhousing facilities as may be
2 incidental or appurtenant thereto.

3 (13) State. – The State of North Carolina.

4 (14) Rehabilitation. – The renovation or improvement of residential
5 housing by the owner of said residential housing."

6 **SECTION 21.1.(b)** G.S. 122A-5.4(b) reads as rewritten:

7 "(b) The terms "persons and families of lower income" and "persons of lower
8 income" wherever they appear in this Chapter, except where they appear in G.S. 122A-2
9 and ~~122A-3(11)~~, G.S. 122A-3, shall be deemed to include "persons and families of
10 moderate income" as defined in clause (c) of this section."

11 **SECTION 21.1.(c)** Chapter 122A of the General Statutes is amended by
12 adding a new section to read:

13 **"§ 122A-5.14. Home Protection Program and Fund.**

14 (a) The North Carolina Housing Finance Agency shall establish and administer
15 the Home Protection Program ("Program") to assist North Carolina workers who have
16 lost jobs as a result of changing economic conditions in North Carolina when the
17 workers are in need of assistance to avoid losing their homes to foreclosure. The
18 Agency shall do all of the following:

19 (1) Develop and administer the Home Protection Program Fund ("Fund")
20 to ensure that workers in North Carolina have assistance to avoid
21 losing their homes to foreclosure. The Fund shall be a nonreverting
22 fund.

23 (2) Make loans secured by liens on residential real property located in
24 North Carolina to property owners who are eligible for those loans.

25 (3) Develop and administer procedures by which property owners at risk
26 of being foreclosed upon may qualify for assistance.

27 (4) Designate, approve, and fund nonprofit counseling agencies in North
28 Carolina to be available to assist the Agency in implementing the
29 provisions of this section, provide services such as direct mortgagee
30 negotiations on behalf of unemployed workers, and process loan
31 applications for the Agency.

32 (5) Develop and fund enhanced methods by which workers may be
33 notified of foreclosure mitigation services, may easily contact local
34 nonprofit counseling agencies, and may apply for loans from the
35 Agency.

36 (b) Home Protection Period. – Notwithstanding Chapters 23, 24, and 45 of the
37 General Statutes or any other provision of law, upon the proper filing of an application
38 for loan assistance by a mortgagor under this section, a mortgagee shall not do the
39 following for a period of 120 days following the date of the mortgagor's properly filed
40 application:

41 (1) Accelerate the maturity of any mortgage obligation covered under this
42 section.

- 1 (2) Commence or continue any legal action, including mortgage
2 foreclosure pursuant to Chapter 45 of the General Statutes, to recover
3 the mortgage obligation.
- 4 (3) Take possession of any security of the mortgagor for the mortgage
5 obligation.
- 6 (4) Procure or receive a deed in lieu of foreclosure.
- 7 (5) Enter judgment by confession pursuant to a note accompanying a
8 mortgage.
- 9 (6) Proceed to enforce the mortgage obligation pursuant to applicable
10 rules of civil procedure.

11 The provisions of this section shall not apply if the mortgagee receives notice from
12 the Agency that the mortgagor's application has been denied.

13 If a mortgagee acts as proscribed in subdivisions (1) through (6) of this subsection, a
14 mortgagor shall be entitled to injunctive relief without the necessity of providing a
15 bond. This relief shall be in addition to any defenses available under G.S. 45-21.16(d)
16 and any other remedies at law or equity.

17 Upon the Agency's receipt of a properly filed mortgagor's application for loan
18 assistance, the Agency shall mail notice of the application to the mortgagor's mortgagee
19 within 10 business days of the Agency's receipt of the application. The Agency shall
20 also mail notice of the acceptance or denial of the mortgagor's application to the
21 mortgagee within five days of the Agency's determination. Notice shall be deemed
22 sufficient if sent to the last known address of the mortgagee.

23 (c) Rule making. – Solely with respect to the adoption of procedures for the
24 program by which property owners at risk of being foreclosed upon may qualify for
25 assistance, the Agency is exempt from the requirements of Article 2A of Chapter 150B
26 of the General Statutes. Prior to adoption or amendment of procedures, the Agency
27 shall:

- 28 (1) Publish the proposed procedures in the North Carolina Register at least
29 30 days prior to the adoption of the final procedures.
- 30 (2) Accept oral and written comments on the proposed procedures.
- 31 (3) Hold at least one public hearing on the proposed procedures.

32 (d) Annual Report. – By April 1 of each year, the Agency shall report to the
33 House Appropriations Subcommittee on General Government and Senate
34 Appropriations Subcommittee on General Government and Information Technology on
35 the effectiveness of the Program in accomplishing its purposes and provide any other
36 information the Agency determines is pertinent or that the General Assembly requests."

37 **SECTION 21.1.(d)** Of the funds appropriated to the Housing Finance
38 Agency and allocated to the Home Protection Program Fund in this act, at least
39 two-thirds shall be used for loans to North Carolina workers who have lost jobs as a
40 result of changing economic conditions. If less than two-thirds of the funds allocated to
41 the program go to loans, the Housing Finance Agency shall account for and explain the
42 failure to meet this requirement during the Housing Finance Agency's annual report to
43 the House Appropriations Subcommittee on General Government and Senate
44 Appropriations Subcommittee on General Government and Information Technology.

1
2 **PART XXII. OFFICE OF STATE BUDGET AND MANAGEMENT**

3
4 **STAFFING ANALYSIS OF THE ETHICS COMMISSION AND THE**
5 **LOBBYIST REGISTRATION SECTION OF THE DEPARTMENT OF**
6 **SECRETARY OF STATE**

7 **SECTION 22.1.** The Office of State Budget and Management shall conduct
8 a staffing analysis of the Ethics Commission and the Lobbyist Registration Section of
9 the Department of Secretary of State to determine if the staffing is appropriate for the
10 workload volume that has been generated by the enactment of Session Law 2006-201.
11 The Office of State Budget and Management shall submit a final report outlining its
12 findings and staffing recommendations to the House Appropriations Subcommittee on
13 General Government, Senate Appropriations Subcommittee on General Government
14 and Information Technology, and the Fiscal Research Division by March 1, 2009.

15
16 **MODIFY STATE FIRE PROTECTION GRANT FUND**

17 **SECTION 22.2.** Effective July 1, 2008, G.S. 58-85A-1(c) reads as rewritten:
18 "(c) It is the intent of the General Assembly to appropriate annually to the State
19 Fire Protection Grant Fund up to ~~three million eight hundred eighty thousand dollars~~
20 ~~(\$3,880,000)~~ four million one hundred eighty thousand dollars (\$4,180,000) from the
21 General Fund, one hundred fifty-eight thousand dollars (\$158,000) from the Highway
22 Fund, and one million three hundred forty-five thousand dollars (\$1,345,000) from
23 University of North Carolina receipts. Funds received from the General Fund shall be
24 allocated only for providing local fire protection for State-owned property supported by
25 the General Fund; funds received from the Highway Fund shall be allocated only for
26 providing local fire protection for State-owned property supported by the Highway
27 Fund; and funds received from University of North Carolina receipts shall be allocated
28 only for providing local fire protection for State-owned property supported by
29 University of North Carolina receipts."

30
31 **MILITARY MORALE, RECREATION, AND WELFARE FUNDS**

32 **SECTION 22.3.** Funds appropriated in this act to the Office of State Budget
33 and Management to the Reserve for the Military Morale, Recreation, and Welfare Fund
34 and distributed to each military installation on a per capita basis shall be deposited in
35 the Military Morale, Recreation, and Welfare Fund for each installation and used only
36 for community services and other expenditures to improve quality of life programs for
37 military members and their families in North Carolina.

38
39 **STAFFING ANALYSIS OF THE YOUTH ADVOCACY & INVOLVEMENT**
40 **OFFICE**

41 **SECTION 22.4.** The Office of State Budget and Management shall conduct
42 a staffing analysis of the Youth Advocacy and Involvement Office of the Department of
43 Administration to determine if the staffing is appropriate for the workload volume. The
44 Office of State Budget and Management shall submit a final report outlining its findings

1 and staffing recommendations to the House Appropriations Subcommittee on General
2 Government, the Senate Appropriations Subcommittee on General Government and
3 Information Technology, and the Fiscal Research Division by March 1, 2009.

4 5 **STAFFING SURVEY OF STATE AGENCIES AND UNIVERSITIES THAT USE** 6 **THE BEACON SYSTEM**

7 **SECTION 22.5.** The Office of State Budget and Management shall conduct
8 a staffing survey of all State agencies and universities that use the BEACON system and
9 determine the number of FTE staff assigned to BEACON training. The Office of State
10 Budget and Management shall submit a final report outlining its findings and staffing
11 recommendations to the House Appropriations Subcommittee on General Government,
12 the Senate Appropriations Subcommittee on General Government and Information
13 Technology, and the Fiscal Research Division by March 1, 2009.

14 15 **PART XXIII. DEPARTMENT OF REVENUE**

16 17 **USE OF COLLECTION ASSISTANCE FEE**

18 **SECTION 23.1.** Section 6.9(b) of S.L. 2007-323 reads as rewritten:

19 **"SECTION 6.9.(b)** The General Assembly finds that a computer system that
20 records tax payments and determines when the payments are overdue directly and
21 primarily relates to the collection of overdue tax debts and that the proceeds of the
22 collection assistance fee imposed by G.S. 105-243.1 may be applied to the cost of the
23 computer system is subject to the collection assistance fee set forth in G.S. 105-243.1.
24 system. The Department of Revenue is authorized to use funds in the 20% Collection
25 Assistance Fee Account, Budget Code 24704-2474, during the 2007-2008 and
26 2008-2009 fiscal year-years to replace the Department's current computer system, and
27 these funds are appropriated to the Department for that purpose. ~~The~~ For fiscal year
28 2007-2008, the Department shall not use more than fifteen million dollars (\$15,000,000)
29 from the Account to replace the Department's current computer system. ~~Funds~~
30 ~~appropriated to the Department in this subsection remain in the Account until~~
31 ~~withdrawn for expenditures for a replacement computer system and shall remain in the~~
32 ~~Account if not expended during the 2007-2008 fiscal year for the purposes set forth in~~
33 ~~this subsection.~~ For fiscal year 2008-2009, the Department shall not use more than
34 twenty-five million dollars (\$25,000,000) from the Account to replace the Department's
35 current computer system.

36 Funds appropriated under this subsection may be transferred to Budget Code
37 24708-2478 to be applied to expenditures for a replacement computer system. Funds
38 appropriated under this subsection that are not transferred to Budget Code 24708-2478
39 remain in the Account until they are transferred to that Budget Code or withdrawn for
40 expenditures for a replacement computer system. Funds appropriated under this
41 subsection that are not expended at the end of the 2007-2009 biennium remain available
42 for expenditure for the purpose designated in this subsection."

43 44 **PART XXIV. STATE BOARD OF ELECTIONS**

2008 EARLY VOTING FUNDS

SECTION 24.1. Section 25.1 of S.L. 2007-323 reads as rewritten:

"SECTION 25.1.(a) The State Board of Elections shall use funds in the Maintenance of Effort Reserve as follows:

- (1) \$1,500,000 nonrecurring in fiscal year 2007-2008 and \$500,000 nonrecurring in fiscal year 2008-2009 to rebuild the State Elections Information Management System (SEIMS).
- (2) \$100,000 recurring in fiscal year 2007-2008 for the required training for all county boards of elections staff on voting equipment operating procedures.
- (3) \$427,500 recurring in fiscal year 2007-2008 to centralize ballot coding in North Carolina to provide oversight, ensure accuracy of election preparation, and reduce errors with ballot styles.
- (4) \$150,000 recurring in fiscal year 2007-2008 to hire 20 additional election technicians across the State to deal with technical problems that arise on a 2008 Election Day in which a federal election is on the ballot.
- (5) \$1,000,000 nonrecurring in fiscal year 2008-2009 provided for additional operating support for one-stop absentee voting (early voting) sites for the 2008 general election.

SECTION 25.1.(b) The State Board of Elections shall use funds in the Election Fund under G.S. 163-82.28 (HAVA funds) as follows:

- (1) \$2,525,000 nonrecurring in fiscal year 2007-2008 and \$2,525,000 nonrecurring in fiscal year 2008-2009 for maintenance performed on voting equipment.
- (2) \$750,000 nonrecurring in fiscal year 2007-2008 and \$1,750,000 nonrecurring in fiscal year 2008-2009 provided for additional one-stop absentee voting (early voting) sites for the 2008 first primary and general election if a federal election is on the ballot.

SECTION 25.1.(c) Section 1 of S.L. 2007-144 is repealed."

PART XXV. DEPARTMENT OF TRANSPORTATION**INCREASE ADMINISTRATIVE APPROPRIATION FOR THE HIGHWAY TRUST FUND**

SECTION 25.1. G.S. 136-176(b) reads as rewritten:

"(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A sum, not to exceed ~~four percent (4%)~~ four and eight-tenths percent (4.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section ~~for the 2003-2004 fiscal year, three and eight tenths percent (3.8%) through fiscal year 2006-2007, and four and two tenths percent (4.2%) thereafter,~~ may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and

1 project development costs of the North Carolina Turnpike Authority are eligible
2 administrative expenses under this subsection. Any funds allocated to the Authority
3 pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon
4 as possible, subject to any restrictions included in the agreements entered into by the
5 Authority in connection with the issuance of the Authority's revenue bonds. Beginning
6 one year after the Authority begins collecting tolls on a completed Turnpike Project,
7 interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate
8 equal to the State Treasurer's average annual yield on its investment of Highway Trust
9 Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be
10 deposited in the Highway Trust Fund upon repayment. The sum up to the amount
11 anticipated to be necessary to meet the State matching funds requirements to receive
12 federal-aid highway trust funds for the next fiscal year may be set aside for that purpose.
13 The rest of the funds in the Trust Fund shall be allocated and used as follows:

- 14 (1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design,
15 and construct projects on segments or corridors of the Intrastate
16 System as described in G.S. 136-178 and to pay debt service on
17 highway bonds and notes that are issued under the State Highway
18 Bond Act of 1996 and whose proceeds are applied to these projects.
- 19 (2) Twenty-five and five hundredths percent (25.05%) to plan, design, and
20 construct the urban loops described in G.S. 136-180 and to pay debt
21 service on highway bonds and notes that are issued under the State
22 Highway Bond Act of 1996 and whose proceeds are applied to these
23 urban loops.
- 24 (3) Six and one-half percent (6.5%) to supplement the appropriation to
25 cities for city streets under G.S. 136-181.
- 26 (4) Six and one-half percent (6.5%) for secondary road construction as
27 provided in G.S. 136-182 and to pay debt service on highway bonds
28 and notes that are issued under the State Highway Bond Act of 1996
29 and whose proceeds are applied to secondary road construction.

30 The Department must administer funds allocated under subdivisions (1), (2), and (4)
31 of this subsection in a manner that ensures that sufficient funds are available to make
32 the debt service payments on bonds issued under the State Highway Bond Act of 1996
33 as they become due."
34

35 **DEPARTMENT OF TRANSPORTATION TO PRODUCE BIENNIAL STATE**
36 **TRANSPORTATION MAPS AND COASTAL BOATING GUIDES**

37 **SECTION 25.2.** The Department of Transportation shall cease annual
38 production of the North Carolina State Transportation Map and Coastal Boating Guide
39 and shall produce a biennial North Carolina State Transportation Map and Coastal
40 Boating Guide beginning in the 2008-2009 fiscal year.

41 **SECTION 25.2.** The Department shall provide a written report to the Joint
42 Legislative Transportation Oversight Committee on the biennial map production plan
43 and identify any cost savings for nonproduction years. The report shall also include

1 historical budget and production information for the past five years. The report is due by
2 November 14, 2008.

3
4 **ONE-STOP SHOPS FOR DRIVERS LICENSE AND REGISTRATION PLATES**

5 **SECTION 25.3.** The Department of Transportation, Division of Motor
6 Vehicles, is prohibited from opening drivers license issuance, vehicle registration
7 issuance, and renewal One-Stop Shops until the General Assembly has considered and
8 appropriated funds for the purpose of One-Stop Shops.

9 **SECTION 25.3.** The Department of Transportation shall develop a
10 plan that thoroughly outlines the operational plans of combined function centers
11 designated as One-Stop Shops. The plan may contain recommendations regarding
12 making necessary changes to G.S. 20-63(h) to expand Division services. The plan
13 should detail a cost effectiveness comparison between the current means for delivery of
14 service and the proposed combined function center services. The plan should also
15 include a thorough justification for each proposed One-Stop Shop location, including
16 any assumptions made in the justification process. The plan should clearly highlight the
17 benefits to the State, including customer service enhancements for Division customers
18 obtained by implementation of One-Stop Shops. The Division shall also conduct an
19 analysis of the anticipated number of transactions at the One-Stop Shops and consider
20 the impact on commission contracts for independent license plate agents, as well as any
21 other interested party affected by the change.

22 **SECTION 25.3.** The Division shall report to the Joint Legislative
23 Transportation Oversight Committee, the Joint Appropriations Subcommittee for
24 Transportation, and the Fiscal Research Division no later than October 31, 2008.

25
26 **REALIGN THE CONTINUATION AND CERTIFIED BUDGETS OF EACH**
27 **DIVISION WITHIN THE DEPARTMENT**

28 **SECTION 25.4.** The Department of Transportation and the Office of State
29 Budget and Management shall review each of the Department's division's expenditure
30 patterns and realign the continuation and certified budget. The certified budget shall
31 become the current expenditure plan for each division based on actual expenditure
32 patterns from repeated annually approved budget adjustments for the Department.

33 **SECTION 25.4.** The Department of Transportation shall prepare reports on
34 the cash spending plan based on the certified budget's line item detail. The first report
35 shall show cash expenditure plans for the 2008-2009 fiscal year and the second report
36 shall include the next biennium's budget.

37 **SECTION 25.4.** The Department of Transportation and the Office of State
38 Budget and Management shall report on the realignment of the budget and cash
39 spending plan based on the certified budget to the Joint Legislative Transportation
40 Oversight Committee, Appropriations Subcommittee for Transportation, and the Fiscal
41 Research Division no later than August 1, 2008, on the 2008-2009 fiscal year cash
42 expenditure plan and March 15 for the next biennium's budget.

1 **TRANSFER HIGHWAY TRUST FUND MONIES IN THE AMOUNT OF**
2 **TWENTY-FIVE MILLION DOLLARS BEGINNING IN FISCAL YEAR**
3 **2008-2009 AND FORTY-NINE MILLION DOLLARS BEGINNING IN**
4 **FISCAL YEAR 2009-2010 TO THE NC TURNPIKE AUTHORITY FOR**
5 **DEBT SERVICE ON BONDS**

6 **SECTION 25.5. (a)** G.S. 105-187.9(b) reads as rewritten:

7 "(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts
8 provided below from the taxes deposited in the Trust Fund to the General Fund. The
9 transfer of funds authorized by this section may be made by transferring one-fourth of
10 the amount at the end of each quarter in the fiscal year or by transferring the full amount
11 annually on July 1 of each fiscal year, subject to the availability of revenue.

12 (1) The sum of one hundred seventy ~~million~~ ~~dollars~~
13 ~~(\$170,000,000)~~ forty-five million dollars (\$145,000,000).

14 (2) In addition to the amount transferred under subdivision (1) of this
15 subsection, the sum of one million seven hundred thousand dollars
16 (\$1,700,000) shall be transferred in the 2001-2002 fiscal year. The
17 amount distributed under this subdivision shall increase in the
18 2002-2003 fiscal year to the sum of two million four hundred thousand
19 dollars (\$2,400,000). In each fiscal year thereafter, the sum transferred
20 under this subdivision shall be the amount distributed in the previous
21 fiscal year plus or minus a percentage of this sum equal to the
22 percentage by which tax collections under this Article increased or
23 decreased for the most recent 12-month period for which data are
24 available."

25 **SECTION 25.5.(b)** G.S. 136-176 is amended by adding a new subsection to
26 read:

27 "(b2) There is annually appropriated to the North Carolina Turnpike Authority from
28 the Highway Trust Fund the sum of twenty-five million dollars (\$25,000,000) to be
29 used to service debt on bonds issued for the construction of the Triangle Expressway.
30 The amounts appropriated to the Authority pursuant to this subsection may be used by
31 the Authority to pay debt service on revenue bonds issued by the Authority to finance
32 the costs of one or more Turnpike Projects. The appropriations established by this
33 subsection constitute an agreement by the State to pay the funds appropriated hereby to
34 the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is
35 the intention of the General Assembly that the enactment of this provision and the
36 issuance of bonds or notes by the Authority in reliance thereon shall not in any manner
37 constitute a pledge of the faith and credit and taxing power of the State, and nothing
38 contained herein shall prohibit the General Assembly from amending the appropriations
39 set forth in this act at any time to decrease or eliminate the amount annually
40 appropriated to the Authority."

41 **SECTION 25.5.(c)** G.S. 105-187.9(b) reads as rewritten:

42 "(b) Transfer. – In each fiscal year the State Treasurer shall transfer the amounts
43 provided below from the taxes deposited in the Trust Fund to the General Fund. The
44 transfer of funds authorized by this section may be made by transferring one-fourth of

1 the amount at the end of each quarter in the fiscal year or by transferring the full amount
2 annually on July 1 of each fiscal year, subject to the availability of revenue.

3 (1) The sum of one hundred ~~forty five~~ million ~~dollars~~
4 (~~\$145,000,000~~)-twenty-one million dollars (\$121,000,000).

5 (2) In addition to the amount transferred under subdivision (1) of this
6 subsection, the sum of one million seven hundred thousand dollars
7 (\$1,700,000) shall be transferred in the 2001-2002 fiscal year. The
8 amount distributed under this subdivision shall increase in the
9 2002-2003 fiscal year to the sum of two million four hundred thousand
10 dollars (\$2,400,000). In each fiscal year thereafter, the sum transferred
11 under this subdivision shall be the amount distributed in the previous
12 fiscal year plus or minus a percentage of this sum equal to the
13 percentage by which tax collections under this Article increased or
14 decreased for the most recent 12-month period for which data are
15 available."

16 **SECTION 25.5.(d)** G.S. 136-176(b2), as enacted by subsection (b) of this
17 section, reads as rewritten:

18 "(b2) There is annually appropriated to the North Carolina Turnpike Authority from
19 the Highway Trust Fund the sum of ~~twenty five~~forty-nine million dollars
20 (~~\$25,000,000~~)-(\$49,000,000). Of the amount allocated by this subsection, twenty-five
21 million dollars (\$25,000,000) shall be used to service debt on bonds issued for the
22 construction of the Triangle Expressway and twenty-four million dollars (\$24,000,000)
23 shall be used to service debt on bonds issued for the construction of the Monroe Bypass.
24 The amounts appropriated to the Authority pursuant to this subsection may be used by
25 the Authority to pay debt service on revenue bonds issued by the Authority to finance
26 the costs of one or more Turnpike Projects. The appropriations established by this
27 subsection constitute an agreement by the State to pay the funds appropriated hereby to
28 the Authority within the meaning of G.S. 159-81(4). Notwithstanding the foregoing, it is
29 the intention of the General Assembly that the enactment of this provision and the
30 issuance of bonds or notes by the Authority in reliance thereon shall not in any manner
31 constitute a pledge of the faith and credit and taxing power of the State, and nothing
32 contained herein shall prohibit the General Assembly from amending the appropriations
33 set forth in this act at any time to decrease or eliminate the amount annually
34 appropriated to the Authority."

35 **SECTION 25.5.(e)** Subsections (a), (b), and (e) of this section become
36 effective July 1, 2008. Subsections (c) and (d) of this section become effective July 1,
37 2009.

38 **FUNDS FOR UNSAFE AND OBSOLETE FIELD FACILITIES**

39 **SECTION 25.6.** Section 27.6 of S.L. 2007-323 is repealed.

40 **CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND** 41 **APPROPRIATIONS**

42 **SECTION 25.7.** Section 27.2 of S.L. 2007-323 is repealed.
43
44

SECTION 25.7. The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2009-2010	\$2,070.8 million
For Fiscal Year 2010-2011	\$2,066.0 million
For Fiscal Year 2011-2012	\$2,064.5 million
For Fiscal Year 2012-2013	\$2,075.6 million

SECTION 25.7. The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2009-2010	\$1,178.4 million
For Fiscal Year 2010-2011	\$1,199.8 million
For Fiscal Year 2011-2012	\$1,226.9 million
For Fiscal Year 2012-2013	\$1,263.4 million

DEPARTMENT OF TRANSPORTATION TO APPLY FOR INTERSTATE CORRIDOR GRANT FUNDS

SECTION 25.8. The Department of Transportation and the North Carolina Turnpike Authority shall apply for all federal grant monies available for Interstate corridors. The grant funds shall be used for the preservation of the highway infrastructure and to provide for improvements and enhancements to the Interstate.

The Department shall report on the status of all grant applications made and any funding awarded for Interstate corridors to the Joint Legislative Transportation Oversight Committee no later than December 1, 2008.

PART XXVI SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 26.1.(a) Effective July 1, 2008, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred thirty five thousand eight hundred fifty four dollars (\$135,854)~~ one hundred thirty-nine thousand five hundred ninety dollars (\$139,590) annually, payable monthly."

SECTION 26.1.(b) Section 28.1(b) of S.L. 2007-323 reads as rewritten:

"SECTION 28.1.(b) Effective ~~July 1, 2007, July 1, 2008,~~ the annual salaries for the members of the Council of State, payable monthly, for the ~~2007-2008 and 2008-2009~~ fiscal ~~years-year~~ are:

<u>Council of State</u>	<u>Annual Salary</u>
Lieutenant Governor	\$119,901 <u>\$123,198</u>
Attorney General	119,901 <u>123,198</u>
Secretary of State	119,901 <u>123,198</u>
State Treasurer	119,901 <u>123,198</u>
State Auditor	119,901 <u>123,198</u>
Superintendent of Public Instruction	119,901 <u>123,198</u>
Agriculture Commissioner	119,901 <u>123,198</u>

1	Insurance Commissioner	119,901	<u>123,198</u>
2	Labor Commissioner	119,901	<u>123,198</u> "

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 26.2. Effective July 1, 2008, Section 28.2 of S.L. 2007-323 reads as rewritten:

"SECTION 28.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the ~~2007-2008~~ and 2008-2009 fiscal ~~years-year~~ are:

	<u>Nonelected Department Heads</u>		<u>Annual Salary</u>
11	Secretary of Administration	\$117,142	<u>\$120,363</u>
12	Secretary of Correction	117,142	<u>120,363</u>
13	Secretary of Crime Control and Public Safety	117,142	<u>120,363</u>
14	Secretary of Cultural Resources	117,142	<u>120,363</u>
15	Secretary of Commerce	117,142	<u>120,363</u>
16	Secretary of Environment and Natural Resources	117,142	<u>120,363</u>
17	Secretary of Health and Human Services	117,142	<u>120,363</u>
18	Secretary of Juvenile Justice and		
19	Delinquency Prevention	117,142	<u>120,363</u>
20	Secretary of Revenue	117,142	<u>120,363</u>
21	Secretary of Transportation	117,142	<u>120,363</u> "

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.3. Effective July 1, 2008, Section 28.3 of S.L. 2007-323 reads as rewritten:

"SECTION 28.3. The annual salaries, payable monthly, for the ~~2007-2008~~ and 2008-2009 fiscal ~~years-year~~ for the following executive branch officials are:

	<u>Executive Branch Officials</u>		<u>Annual Salary</u>
30	Chairman, Alcoholic Beverage Control Commission	\$106,621	<u>\$109,553</u>
31	State Controller	149,216	<u>153,319</u>
32	Commissioner of Motor Vehicles	106,621	<u>109,553</u>
33	Commissioner of Banks	119,901	<u>123,198</u>
34	Chairman, Employment Security Commission		133,161
35	State Personnel Director	117,142	<u>120,363</u>
36	Chairman, Parole Commission	97,358	<u>100,035</u>
37	Members of the Parole Commission	44,942	<u>46,178</u>
38	Chairman, Utilities Commission	133,531	<u>137,203</u>
39	Members of the Utilities Commission	119,901	<u>123,198</u>
40	Executive Director, Agency for		
41	Public Telecommunications	89,884	<u>92,356</u>
42	Director, Museum of Art	109,252	<u>112,256</u>
43	Executive Director, North Carolina		

1	Agricultural Finance Authority	403,781	106,635
2	State Chief Information Officer	149,126	<u>153,227</u> "

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 26.4. Effective July 1, 2008, Section 28.4 of S.L. 2007-323 reads as written:

"SECTION 28.4.(a) The annual salaries, payable monthly, for specified judicial branch officials for the ~~2007-2008 and 2008-2009~~ fiscal ~~years-year~~ are:

	<u>Judicial Branch Officials</u>	<u>Annual Salary</u>	
10	Chief Justice, Supreme Court	\$137,160	<u>\$140,932</u>
11	Associate Justice, Supreme Court	133,576	<u>137,249</u>
12	Chief Judge, Court of Appeals	130,236	<u>133,817</u>
13	Judge, Court of Appeals	128,011	<u>131,531</u>
14	Judge, Senior Regular Resident Superior Court	124,532	<u>127,957</u>
15	Judge, Superior Court	121,053	<u>124,382</u>
16	Chief Judge, District Court	109,923	<u>112,946</u>
17	Judge, District Court	106,445	<u>109,372</u>
18	District Attorney	116,112	<u>119,305</u>
19	Administrative Officer of the Courts	123,346	<u>126,738</u>
20	Assistant Administrative Officer of the Courts	112,665	<u>115,763</u>
21	Public Defender	116,112	<u>119,305</u>

SECTION 28.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-nine thousand forty-seven dollars (\$69,047), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-six thousand eighty-two dollars (\$36,082), effective July 1, 2007.

SECTION 28.4.(b1) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed seventy thousand nine hundred forty-six dollars (\$70,946), and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-seven thousand one hundred eighty-two dollars (\$37,182), effective July 1, 2008.

SECTION 28.4.(c) Effective July 1, 2007, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized in this act shall be increased by four percent (4.0%). Effective July 1, 2008, the annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not

1 itemized in this act shall be increased by the greater of one thousand one hundred
 2 dollars (\$1,100) or two and seventy-five hundredths percent (2.75%).

3 **SECTION 28.4.(d)** Effective July 1, 2007, the annual salaries of permanent,
 4 part-time employees of the Judicial Department whose salaries are not itemized in this
 5 act shall be increased by four percent (4.0%). Effective July 1, 2008, the annual salaries
 6 of permanent, part-time employees of the Judicial Department whose salaries are not
 7 itemized in this act shall be increased by pro rata amounts of one thousand one hundred
 8 dollars (\$1,100) or two and seventy-five hundredths percent (2.75%) whichever is
 9 greater."

10
 11 **CLERK OF SUPERIOR COURT/SALARY INCREASES**

12 **SECTION 26.5.** Effective July 1, 2008, G.S. 7A-101(a) reads as rewritten:

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

Population	Annual Salary
Less than 100,000	\$ 80,196 <u>\$82,401</u>
100,000 to 149,999	89,993 <u>92,468</u>
150,000 to 249,999	99,792 <u>102,536</u>
250,000 and above	109,593. <u>112,607.</u>

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

28 **ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES**

29 **SECTION 26.6.** Effective July 1, 2008, G.S. 7A-102(c1) reads as rewritten:

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

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	\$31,122 <u>\$32,222</u>
Maximum	53,304 <u>54,767</u>
Deputy Clerks	Annual Salary
Minimum	\$26,788 <u>\$27,888</u>
Maximum	41,456. <u>42,596."</u>

41
 42 **MAGISTRATES' SALARY INCREASES**

43 **SECTION 26.7.(a)** Effective July 1, 2008, G.S. 7A-171.1(a) reads as
 44 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	\$31,533 <u>\$32,633</u>
Step 1	34,425 <u>35,525</u>
Step 2	37,571 <u>38,671</u>
Step 3	41,006 <u>42,134</u>
Step 4	44,768 <u>45,999</u>
Step 5	49,007 <u>50,355</u>
Step 6	53,760 <u>55,238</u>

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

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

SECTION 26.7.(b) Effective July 1, 2008, G.S. 7A-171.1(a1)(1) reads as

rewritten:

1 "(a1) Notwithstanding subsection (a) of this section, the following salary provisions
2 apply to individuals who were serving as magistrates on June 30, 1994:

3 (1) The salaries of magistrates who on June 30, 1994, were paid at a salary
4 level of less than five years of service under the table in effect that date
5 shall be as follows:

6 Less than 1 year of service	\$25,428	<u>\$26,528</u>
7 1 or more but less than 3 years of service	26,595	<u>27,695</u>
8 3 or more but less than 5 years of service	28,944.	<u>30,044.</u>

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

11 **GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES**

12 **SECTION 26.8.** Effective July 1, 2008, G.S. 120-37(c) reads as rewritten:

13 "(c) The principal clerks shall be full-time officers. Each principal clerk shall be
14 entitled to other benefits available to permanent legislative employees and shall be paid
15 an annual salary of ~~one hundred one thousand two hundred ninety eight dollars~~
16 ~~(\$101,298)~~ one hundred four thousand eighty-four dollars (\$104,084) payable monthly.
17 Each principal clerk shall also receive such additional compensation as approved by the
18 Speaker of the House of Representatives or the President Pro Tempore of the Senate,
19 respectively, for additional employment duties beyond those provided by the rules of
20 their House. The Legislative Services Commission shall review the salary of the
21 principal clerks prior to submission of the proposed operating budget of the General
22 Assembly to the Governor and shall make appropriate recommendations for changes in
23 those salaries. Any changes enacted by the General Assembly shall be by amendment to
24 this paragraph."
25

26 **SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES**

27 **SECTION 26.9.** Effective July 1, 2008, G.S. 120-37(b) reads as rewritten:

28 "(b) The sergeant-at-arms and the reading clerk in each house shall be paid a
29 salary of ~~three hundred fifty nine dollars (\$359.00)~~ three hundred eighty dollars
30 (\$380.00) per week plus subsistence at the same daily rate provided for members of the
31 General Assembly, plus mileage at the rate provided for members of the General
32 Assembly for one round trip only from their homes to Raleigh and return. The
33 sergeants-at-arms shall serve during sessions of the General Assembly and at such time
34 prior to the convening of, and subsequent to adjournment or recess of, sessions as may
35 be authorized by the Legislative Services Commission. The reading clerks shall serve
36 during sessions only."
37

38 **LEGISLATIVE EMPLOYEES/SALARY INCREASES**

39 **SECTION 26.10.** Effective July 1, 2008, the Legislative Services Officer
40 shall increase the salaries of nonelected employees of the General Assembly in effect
41 for fiscal year 2007-2008 by the greater of one thousand one hundred dollars (\$1,100)
42 or two and seventy-five hundredths percent (2.75%). Nothing in this act limits any of
43 the provisions of G.S. 120-32.
44

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 26.11. Section 28.11 of S.L. 2007-323 reads as rewritten:

"**SECTION 28.11.(a)** The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of four percent (4.0%) including funds for the employer's retirement and social security contributions, commencing July 1, 2007, for all community college employees supported by State funds.

SECTION 28.11.(a1) Effective July 1, 2008, the Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal year 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of:

(1) Three percent (3.0%) including funds for the employer's retirement and social security contributions, commencing July 1, 2008, for all community college faculty and professional staff supported by State funds.

(2) The greater of one thousand one hundred dollars (\$1,100) or two and seventy-five hundredths percent (2.75%) including funds for the employer's retirement and social security contributions, commencing July 1, 2008, for all other community college employees supported by State funds.

SECTION 28.11.(b) The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, funds to the North Carolina Community Colleges System Office necessary to provide an additional annual salary increase of one percent (1.0%) for Community College faculty and professional staff, including funds for the employer's retirement and social security contributions, supported by State funds."

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 26.12. Section 28.12 of S.L. 2007-323 reads as rewritten:

"**SECTION 28.12.(a)** Effective July 1, 2007, the Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009, including funds for the employer's retirement and social security contributions, to provide to employees of The University of North Carolina, other than teachers of the North Carolina School of Science and Mathematics, whose salaries are supported by State funds and who are exempt from the State Personnel Act (EPA) an annual salary increase of five percent (5%) for faculty. The percentage annual salary increase of five percent (5%) authorized by this section shall be made on an aggregated average basis, according to the rules adopted by the Board of Governors of The University of North Carolina and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section. The

1 Board of Governors may use a portion of the annual salary increase provided by this
2 section to improve competitive national peer rankings for faculty.

3 **SECTION 28.12.(a1)** Effective July 1, 2008, the Director of the Budget shall
4 transfer to the Board of Governors of The University of North Carolina sufficient funds
5 from the Reserve for Compensation Increases, created in this act for fiscal year
6 2008-2009, including funds for the employer's retirement and social security
7 contributions, to provide to employees of The University of North Carolina, other than
8 teachers of the North Carolina School of Science and Mathematics, whose salaries are
9 supported by State funds and who are exempt from the State Personnel Act (EPA) an
10 annual salary increase of three percent (3%) for faculty and non-faculty. The percentage
11 annual salary increase of three percent (3%) authorized by this section shall be made on
12 an aggregated average basis, according to the rules adopted by the Board of Governors
13 of The University of North Carolina, and may not be used for any purpose other than for
14 salary increases and necessary employer contributions provided by this section.

15 **SECTION 28.12.(b)** Effective July 1, 2007, the Director of the Budget shall
16 transfer to the Board of Governors of The University of North Carolina sufficient funds
17 from the Reserve for Compensation Increases, created in this act for fiscal years
18 2007-2008 and 2008-2009, including funds for the employer's retirement and social
19 security contributions, to provide to employees of The University of North Carolina,
20 other than teachers of the North Carolina School of Science and Mathematics, whose
21 salaries are supported by State funds and who are exempt from the State Personnel Act
22 (EPA) an annual salary increase of four percent (4.0%) for nonfaculty.

23 **SECTION 28.12.(c)** The Director of the Budget shall transfer to the Board of
24 Governors of The University of North Carolina sufficient funds from the Reserve for
25 Compensation Increases, created in this act for fiscal years 2007-2008 and 2008-2009 to
26 provide an average annual salary increase of five percent (5%) but at least an annual
27 increase of one thousand two hundred forty dollars (\$1,240), including funds for the
28 employer's retirement and social security contributions, commencing July 1, 2007, for
29 all teaching employees of the North Carolina School of Science and Mathematics,
30 supported by State funds and whose salaries are exempt from the State Personnel Act
31 (EPA). These funds shall be allocated to individuals according to the rules adopted by
32 the Board of Trustees of the North Carolina School of Science and Mathematics and
33 may not be used for any purpose other than for salary increases and necessary employer
34 contributions provided by this section.

35 **SECTION 28.12.(c1)** The Director of the Budget shall transfer to the Board of
36 Governors of The University of North Carolina sufficient funds from the Reserve for
37 Compensation Increases, created in this act for fiscal year 2008-2009, to provide an
38 average annual salary increase of three percent (3%), but at least an annual increase of
39 four hundred seventy dollars (\$470.00), including funds for the employer's retirement
40 and social security contributions, commencing July 1, 2008, for all teaching employees
41 of the North Carolina School of Science and Mathematics, supported by State funds and
42 whose salaries are exempt from the State Personnel Act (EPA). These funds shall be
43 allocated to individuals according to the rules adopted by the Board of Trustees of the
44 North Carolina School of Science and Mathematics and may not be used for any

1 purpose other than for salary increases and necessary employer contributions provided
2 by this section.

4 MOST STATE EMPLOYEES/SALARY INCREASES

5 **SECTION 26.13.** Effective July 1, 2008, Section 28.14 of S.L. 2007-323
6 reads as rewritten:

7 **"SECTION 28.14.(a)** The salaries in effect June 30, 2007, of all permanent
8 full-time State employees whose salaries are set in accordance with the State Personnel
9 Act, and who are paid from the General Fund or the Highway Fund, shall be increased,
10 effective July 1, 2007, by four percent (4%). Effective July 1, 2008, the salaries in effect
11 June 30, 2008, of all permanent, full-time State employees whose salaries are set in
12 accordance with the State Personnel Act, and who are paid from the General Fund or
13 Highway Fund shall be increased by the greater of one thousand one hundred dollars
14 (\$1,100) or two and seventy-five hundredths percent (2.75%).

15 **SECTION 28.14.(b)** Except as otherwise provided in this act, the fiscal year
16 2007-2008 salaries for permanent full-time State officials and persons in exempt
17 positions that are recommended by the Governor and set by the General Assembly shall
18 be increased by four percent (4%), effective July 1, 2007. Effective July 1, 2008, the
19 compensation of permanent, full-time State officials and persons in exempt positions
20 that are recommended by the Governor and set by the General Assembly shall be
21 increased by the greater of one thousand one hundred dollars (\$1,100) or two and
22 seventy-five hundredths percent (2.75%).

23 **SECTION 28.14.(c)** The salaries in effect for fiscal year 2007-2008 for all
24 permanent part-time State employees shall be increased, effective July 1, 2007, by the
25 four percent (4%) salary increase provided for permanent full-time employees covered
26 under this part. Effective July 1, 2008, the salaries of permanent, part-time State
27 employees shall be increased by the greater of pro rata amounts of one thousand one
28 hundred dollars (\$1,100) or two and seventy-five hundredths percent (2.75%).

29 **SECTION 28.14.(d)** The Director of the Budget may allocate out of special
30 operating funds or from other sources of the employing agency, except tax revenues,
31 sufficient funds to allow ~~a salary increase, effective July 1, 2007, increases~~
32 in accordance with subsection (a), (b), or (c) of this section including funds for the
33 employer's retirement and social security contributions, for the permanent full-time and
34 part-time employees of the agency, provided the employing agency elects to make
35 available the necessary funds.

36 **SECTION 28.14.(e)** ~~Within~~ For the 2007-2008 fiscal year, within regular State
37 Budget Act procedures as limited by this act, all State agencies and departments may
38 increase on an equitable basis the rate of pay of temporary and permanent hourly State
39 employees, subject to availability of funds in the particular agency or department, by
40 pro rata amounts of the four percent (4%) salary increase provided for permanent
41 full-time employees covered by the provisions of subsection (a) of this section,
42 commencing July 1, 2007. For the 2008-2009 fiscal year, within regular State Budget
43 Act procedures as limited by this act, all State agencies and departments may increase
44 on an equitable basis the rate of pay of temporary and permanent hourly State

1 employees, subject to availability of funds in the particular agency or department, by the
2 greater of pro rata amounts of one thousand one hundred dollar (\$1,100) or two and
3 seventy-five hundredths percent (2.75%) salary increase provided for permanent
4 full-time employees covered by the provisions of subsection (a) of this section,
5 commencing July 1, 2008."

6
7 **ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES**

8 **SECTION 26.14.** Effective July 1, 2008, Section 28.15 of S.L. 2007-323
9 reads as rewritten:

10 **"SECTION 28.15.(a)** Salaries and related benefits for positions that are funded
11 partially from the General Fund or Highway Fund and partially from sources other than
12 the General Fund or Highway Fund shall be increased from the General Fund or
13 Highway Fund appropriation only to the extent of the proportionate part of the salaries
14 paid from the General Fund or Highway Fund.

15 **SECTION 28.15.(b)** The granting of the salary increases under this act does not
16 affect the status of eligibility for salary increments for which employees may be eligible
17 unless otherwise required by this act.

18 **SECTION 28.15.(c)** The fiscal year 2007-2008 salary increases provided in this act
19 are to be effective July 1, 2007, do not apply to persons separated from State service due
20 to resignation, dismissal, reduction in force, death, or retirement, or whose last workday
21 is prior to July 1, 2007. The fiscal year 2008-2009 salary increases provided in this act
22 are to be effective July 1, 2008, do not apply to persons separated from State service due
23 to resignation, dismissal, reduction in force, death, or retirement, or whose last workday
24 is prior to July 1, 2008.

25 Payroll checks issued to employees ~~after July 1, 2007,~~ which represent payment of
26 services provided prior to ~~July 1, 2007,~~ these increases shall not be eligible for salary
27 increases provided for in this act. This subsection shall apply to all employees, subject
28 to or exempt from the State Personnel Act, paid from State funds, including public
29 schools, community colleges, and The University of North Carolina.

30 **SECTION 28.15.(d)** The Director of the Budget shall transfer from the Reserve for
31 Compensation Increases in this act for fiscal year 2007-2008 and fiscal year 2008-2009
32 all funds necessary for the salary increases provided by this act, including funds for the
33 employer's retirement and social security contributions.

34 **SECTION 28.15.(e)** Nothing in this act authorizes the transfer of funds between the
35 General Fund and the Highway Fund for salary increases.

36 **SECTION 28.15.(f)** ~~Permanent~~ For the 2007-2008 fiscal year, permanent, full-time
37 employees who work a nine-, ten-, or eleven-month work year schedule shall receive
38 the four percent (4.0%) annual increase provided by this act. For the 2008-2009 fiscal
39 year, permanent, full-time employees who work a nine-, ten-, or eleven-month work
40 year schedule shall receive the greater of the one thousand one hundred dollar (\$1,100)
41 or two and seventy-five hundredths percent (2.75%) annual increase provided by this
42 act."

1 **OFFICE OF STATE PERSONNEL TO PERFORM LABOR MARKET**
2 **ANALYSIS OF CERTAIN POSITIONS**

3 **SECTION 26.15.(a)** The Office of State Personnel shall conduct a labor
4 market analysis of the Administrative Support positions in the Department of
5 Transportation to determine whether current employees are compensated appropriately
6 relative to market rates for similar positions. If appropriate, the Office of State
7 Personnel shall recommend to the State Personnel Commission a Salary Range Revision
8 or establishment of a Special Minimum Rate, as those terms are defined in the State
9 Personnel Manual. The Office of State Personnel shall report its findings and any
10 actions of the State Personnel Commission to the Appropriations Committees of the
11 House and Senate no later than two weeks after the convening of the 2009 legislative
12 session.

13 **SECTION 26.15.(b)** The Office of State Personnel shall conduct a labor
14 market analysis of the Information Technology and Law Enforcement positions in the
15 Department of Transportation to determine whether current employees are compensated
16 appropriately relative to labor market rates for similar positions. This study shall be
17 based upon employees' competency assessments made at the time these positions were
18 Career Banded or on the employees' date of hire, if later, and shall not include an
19 analysis of "career progression adjustments" that could be made under current policy
20 due to additional skills/competencies demonstrated by an employee subsequent to their
21 initial competency assessment. The Office of State Personnel shall report its findings to
22 the Appropriations Committees of the House and Senate no later than two weeks after
23 the convening of the 2009 legislative session.

24 **SECTION 26.15.(c)** The Office of State Personnel shall conduct an analysis
25 of the Department of Health and Human Services Division of Mental Health's proposal
26 to increase salaries of Health Care Technicians, Developmental Disability Trainers, and
27 Youth Program Assistants based upon the establishment of defined skill and
28 competency sets and employees' subsequent demonstration of those skills and
29 competencies. This analysis shall determine whether the Division's goals can be
30 accomplished through current State Personnel Policy regulating "Reallocations." If so,
31 the Office of State Personnel shall so advise the Division of Mental Health and assist
32 them by timely processing any reallocation requests. The Office of State Personnel shall
33 report its findings and actions to the Appropriations Committees of the House and
34 Senate no later than two weeks after the convening of the 2009 legislative session.
35

36 **TEACHER SALARY SCHEDULES**

37 **SECTION 26.16.(a)** Effective for the 2008-2009 school year, the Director of
38 the Budget shall transfer from the Reserve for Compensation Increases funds necessary
39 to implement the teacher salary schedules set out in subsection (b) of this section and
40 for longevity in accordance with subsection (d) of this section, including funds for the
41 employer's retirement and social security contributions for all teachers whose salaries
42 are supported from the State's General Fund.

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

	Years of Experience	"M" Teachers	NBPTS Certification
1			
2	0	\$3,324	N/A
3	1	\$3,370	N/A
4	2	\$3,419	N/A
5	3	\$3,590	\$4,021
6	4	\$3,744	\$4,193
7	5	\$3,892	\$4,359
8	6	\$4,034	\$4,518
9	7	\$4,148	\$4,646
10	8	\$4,201	\$4,705
11	9	\$4,255	\$4,766
12	10	\$4,310	\$4,827
13	11	\$4,364	\$4,888
14	12	\$4,420	\$4,950
15	13	\$4,476	\$5,013
16	14	\$4,534	\$5,078
17	15	\$4,594	\$5,145
18	16	\$4,654	\$5,212
19	17	\$4,715	\$5,281
20	18	\$4,780	\$5,354
21	19	\$4,843	\$5,424
22	20	\$4,907	\$5,496
23	21	\$4,975	\$5,572
24	22	\$5,042	\$5,647
25	23	\$5,115	\$5,729
26	24	\$5,185	\$5,807
27	25	\$5,257	\$5,888
28	26	\$5,330	\$5,970
29	27	\$5,404	\$6,052
30	28	\$5,482	\$6,140
31	29	\$5,561	\$6,228
32	30	\$5,668	\$6,348
33	31+	\$5,781	\$6,475

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SECTION 26.16.(c) Annual longevity payments for teachers shall be at the rate of 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. The longevity payment shall be paid in a lump sum once a year.

SECTION 26.16.(d) Certified public schoolteachers 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

1 provided for certified personnel of the public schools who are classified as "M"
2 teachers. Certified public schoolteachers with certification based on academic
3 preparation at the doctoral degree level shall receive a salary supplement of two
4 hundred fifty-three dollars (\$253.00) per month in addition to the compensation
5 provided for certified personnel of the public schools who are classified as "M"
6 teachers.

7 **SECTION 26.16.(e)** The first step of the salary schedule for school
8 psychologists shall be equivalent to Step 5, corresponding to five years of experience,
9 on the salary schedule established in this section for certified personnel of the public
10 schools who are classified as "M" teachers. Certified psychologists shall be placed on
11 the salary schedule at an appropriate step based on their years of experience. Certified
12 psychologists shall receive longevity payments based on years of State service in the
13 same manner as teachers.

14 Certified psychologists with certification based on academic preparation at
15 the six-year degree level shall receive a salary supplement of one hundred twenty-six
16 dollars (\$126.00) per month in addition to the compensation provided for certified
17 psychologists. Certified psychologists with certification based on academic preparation
18 at the doctoral degree level shall receive a salary supplement of two hundred fifty-three
19 dollars (\$253.00) per month in addition to the compensation provided for certified
20 psychologists.

21 **SECTION 26.16.(f)** Speech pathologists who are certified as speech
22 pathologists at the master's degree level and audiologists who are certified as
23 audiologists at the master's degree level and who are employed in the public schools as
24 speech and language specialists and audiologists shall be paid on the school
25 psychologist salary schedule.

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

33 **SECTION 26.16.(g)** Certified school nurses who are employed in the public
34 schools as nurses shall be paid on the "M" salary schedule.

35 **SECTION 26.16.(h)** As used in this section, the term "teacher" shall also
36 include instructional support personnel.

37 38 **SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE**

39 **SECTION 26.17.(a)** Effective for the 2008-2009 school year, the Director of
40 the Budget shall transfer from the Reserve for Compensation Increases funds necessary
41 to implement the salary schedules for school-based administrators as provided in this
42 section. These funds shall be used for State-paid employees only.

2008-2009 Principal and Assistant Principal Salary Schedules

		Classification			
Years of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)	
0-14	\$4,828	-	-	-	
15	\$4,891	-	-	-	
16	\$4,956	\$5,025	-	-	
17	\$5,025	\$5,092	\$5,237	-	
18	\$5,092	\$5,166	\$5,310	\$5,383	
19	\$5,166	\$5,237	\$5,383	\$5,458	
20	\$5,237	\$5,310	\$5,458	\$5,537	
21	\$5,310	\$5,383	\$5,537	\$5,617	
22	\$5,383	\$5,458	\$5,617	\$5,725	
23	\$5,458	\$5,537	\$5,725	\$5,839	
24	\$5,537	\$5,617	\$5,839	\$5,956	
25	\$5,617	\$5,725	\$5,956	\$6,075	
26	\$5,725	\$5,839	\$6,075	\$6,197	
27	\$5,839	\$5,956	\$6,197	\$6,321	
28	\$5,956	\$6,075	\$6,321	\$6,447	
29	\$6,075	\$6,197	\$6,447	\$6,576	
30	\$6,197	\$6,321	\$6,576	\$6,708	
31	\$6,321	\$6,447	\$6,708	\$6,842	
32	\$6,447	\$6,576	\$6,842	\$6,979	
33	\$6,576	\$6,708	\$6,979	\$7,119	
34	\$6,708	\$6,842	\$7,119	\$7,261	
35	\$6,842	\$6,979	\$7,261	\$7,406	
36	\$6,979	\$7,119	\$7,406	\$7,554	
37	\$7,119	\$7,261	\$7,554	\$7,705	
38	\$7,261	\$7,406	\$7,705	\$7,859	
39	-	\$7,554	\$7,859	\$8,016	
40	-	\$7,705	\$8,016	\$8,176	
41	-	-	\$8,176	\$8,340	

SECTION 26.17.(c) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools and in cooperative innovative high schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers

1	Principal IV	33-43 Teachers
2	Principal V	44-54 Teachers
3	Principal VI	55-65 Teachers
4	Principal VII	66-100 Teachers
5	Principal VIII	More than 100 Teachers

6
7 The number of teachers supervised includes teachers and assistant principals
8 paid from State funds only; it does not include teachers or assistant principals paid from
9 non-State funds or the principal or teacher assistants.

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

14 **SECTION 26.17.(d)** A principal shall be placed on the step on the salary
15 schedule that reflects total number of years of experience as a certificated employee of
16 the public schools and an additional step for every three years of experience as a
17 principal. A principal or assistant principal shall also continue to receive any additional
18 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000
19 school years for improvement in student performance or maintaining a safe and orderly
20 school.

21 **SECTION 26.17.(e)** Principals and assistant principals with certification
22 based on academic preparation at the six-year degree level shall be paid a salary
23 supplement of one hundred twenty-six dollars (\$126.00) per month and at the doctoral
24 degree level shall be paid a salary supplement of two hundred fifty-three dollars
25 (\$253.00) per month.

26 **SECTION 26.17.(f)** Longevity pay for principals and assistant principals
27 shall be as provided for State employees under the State Personnel Act.

28 **SECTION 26.17.(g)** If a principal is reassigned to a higher job classification
29 because the principal is transferred to a school within a local school administrative unit
30 with a larger number of State-allotted teachers, the principal shall be placed on the
31 salary schedule as if the principal had served the principal's entire career as a principal
32 at the higher job classification.

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

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

43 **SECTION 26.17.(h)** Participants in an approved full-time master's in school
44 administration program shall receive up to a 10-month stipend at the beginning salary of

1 an assistant principal during the internship period of the master's program. For the
 2 2006-2007 fiscal year and subsequent fiscal years, the stipend shall not exceed the
 3 difference between the beginning salary of an assistant principal plus the cost of tuition,
 4 fees, and books and any fellowship funds received by the intern as a full-time student,
 5 including awards of the Principal Fellows Program. The Principal Fellows Program or
 6 the school of education where the intern participates in a full-time master's in school
 7 administration program shall supply the Department of Public Instruction with
 8 certification of eligible full-time interns.

9 **SECTION 26.17.(i)** During the 2008-2009 fiscal year, the placement on the
 10 salary schedule of an administrator with a one-year provisional assistant principal's
 11 certificate shall be at the entry-level salary for an assistant principal or the appropriate
 12 step on the teacher salary schedule, whichever is higher.

13
 14 **CENTRAL OFFICE SALARIES**

15 **SECTION 26.18.(a)** The monthly salary ranges that follow apply to
 16 assistant superintendents, associate superintendents, directors/coordinators, supervisors,
 17 and finance officers for the 2008-2009 fiscal year, beginning July 1, 2008.

18	School Administrator I	\$3,309	\$6,207
19	School Administrator II	\$3,508	\$6,583
20	School Administrator III	\$3,724	\$6,984
21	School Administrator IV	\$3,874	\$7,262
22	School Administrator V	\$4,030	\$7,556
23	School Administrator VI	\$4,275	\$8,013
24	School Administrator VII	\$4,447	\$8,336

25 The local board of education shall determine the appropriate category and
 26 placement for each assistant superintendent, associate superintendent,
 27 director/coordinator, supervisor, or finance officer within the salary ranges and within
 28 funds appropriated by the General Assembly for central office administrators and
 29 superintendents. The category in which an employee is placed shall be included in the
 30 contract of any employee.

31 **SECTION 26.18.(b)** The monthly salary ranges that follow apply to public
 32 school superintendents for the 2008-2009 fiscal year, beginning July 1, 2008.

33	Superintendent I	\$4,720	\$8,843
34	Superintendent II	\$5,011	\$9,377
35	Superintendent III	\$5,316	\$9,948
36	Superintendent IV	\$5,642	\$10,552
37	Superintendent V	\$5,988	\$11,196

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

42 **SECTION 26.18.(c)** Longevity pay for superintendents, assistant
 43 superintendents, associate superintendents, directors/coordinators, supervisors, and
 44 finance officers shall be as provided for State employees under the State Personnel Act.

1 **SECTION 26.18.(d)** Superintendents, assistant superintendents, associate
2 superintendents, directors/coordinators, supervisors, and finance officers with
3 certification based on academic preparation at the six-year degree level shall receive a
4 salary supplement of one hundred twenty-six dollars (\$126.00) per month in addition to
5 the compensation provided pursuant to this section. Superintendents, assistant
6 superintendents, associate superintendents, directors/coordinators, supervisors, and
7 finance officers with certification based on academic preparation at the doctoral degree
8 level shall receive a salary supplement of two hundred fifty-three dollars (\$253.00) per
9 month in addition to the compensation provided for under this section.

10 **SECTION 26.18.(e)** The State Board of Education shall not permit local
11 school administrative units to transfer State funds from other funding categories for
12 salaries for public school central office administrators.

13 **SECTION 26.18.(f)** The annual salary increase for all permanent full-time
14 personnel paid from the Central Office Allotment shall be the greater of one thousand
15 one hundred dollars (\$1,100) or two and seventy-five hundredths percent (2.75%),
16 commencing July 1, 2008. The State Board of Education shall allocate these funds to
17 local school administrative units. The local boards of education shall establish
18 guidelines for providing salary increases to these personnel.

19 20 **NONCERTIFIED PERSONNEL SALARIES**

21 **SECTION 26.19.(a)** The annual salary increase for permanent, full-time
22 noncertified public school employees whose salaries are supported from the State's
23 General Fund shall be the greater of one thousand one hundred dollars (\$1,100) or two
24 and seventy-five hundredths percent (2.75%) commencing July 1, 2008.

25 **SECTION 26.19.(b)** Local boards of education shall increase the rates of
26 pay for such employees who were employed for all or part of fiscal year 2007-2008 and
27 who continue their employment for fiscal year 2008-2009 by providing an annual salary
28 increase for employees of the greater of one thousand one hundred dollars (\$1,100) or
29 two and seventy-five hundredths percent (2.75%).

30 For part-time employees, the pay increase shall be pro rata based on the
31 number of hours worked.

32 **SECTION 26.19.(c)** The State Board of Education may adopt salary ranges
33 for noncertified personnel to support increases of the greater of one thousand one
34 hundred dollars (\$1,100) or two and seventy-five hundredths percent (2.75%) for the
35 2008-2009 fiscal year.

36 37 **BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY** 38 **SCHEDULES**

39 **SECTION 26.20.** Effective July 1, 2008, any permanent personnel
40 employed on July 1, 2008, and paid at the top of the principal and assistant principal
41 salary schedule shall receive a onetime bonus equivalent to two percent (2%).

42 Effective July 1, 2008, any permanent certified personnel employed on July
43 1, 2008, and paid on the teacher salary schedule with 31+ years of experience shall

1 receive a onetime bonus equivalent to one and eight-tenths percent (1.8%). Personnel
2 defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

3 4 **NO PENALTY FOR TEACHERS TAKING ONE DAY OF PERSONAL LEAVE**

5 **SECTION 26.21.(a)** G.S. 115C-302.1(d) reads as rewritten:

6 "(d) Personal Leave. – Teachers earn personal leave at the rate of .20 days for
7 each full month of employment not to exceed two days per year. Personal leave may be
8 accumulated without any applicable maximum until June 30 of each year. A teacher
9 may carry forward to July 1 a maximum of five days of personal leave; the remainder of
10 the teacher's personal leave shall be converted to sick leave on June 30. At the time of
11 retirement, a teacher may also convert accumulated personal leave to sick leave for
12 creditable service towards retirement.

13 Personal leave may be used only upon the authorization of the teacher's immediate
14 supervisor. A teacher shall not take personal leave on the first day the teacher is
15 required to report for the school year, on a required teacher workday, on days scheduled
16 for State testing, or on the day before or the day after a holiday or scheduled vacation
17 day, unless the request is approved by the principal. On all other days, if the request is
18 made at least five days in advance, the request shall be automatically granted subject to
19 the availability of a substitute teacher, and the teacher cannot be required to provide a
20 reason for the request. Teachers may transfer personal leave days between local school
21 administrative units. The local school administrative unit shall credit a teacher who has
22 separated from service and is reemployed within 60 months from the date of separation
23 with all personal leave accumulated at the time of separation. Local school
24 administrative units shall not advance personal leave. Teachers using up to one day of
25 personal leave per year shall receive full salary less the required substitute
26 deduction salary. Teachers using more than one day per year shall receive full salary
27 less the required substitute deduction. As used in this subsection, 'teachers' means
28 classroom teachers and media specialists who require a substitute."

29 **SECTION 26.21.(b)** This section expires June 30, 2009.

30 31 **SALARY-RELATED CONTRIBUTIONS/EMPLOYER**

32 **SECTION 26.22.** Section 28.19(c) of S.L. 2007-323 reads as rewritten:

33 **"SECTION 28.19.(c)** Effective July 1, 2008, the State's employer contribution rates
34 budgeted for retirement and related benefits as percentage of covered salaries for the
35 2008-2009 fiscal year are: (i) ~~seven and eighty three hundredths percent (7.83%)~~ eight
36 and fourteen hundredths percent (8.14%) – Teachers and State Employees; (ii) ~~twelve~~
37 ~~and eighty three hundredths percent (12.83%)~~ thirteen and fourteen hundredths percent
38 (13.14%) – State Law Enforcement Officers; (iii) eleven and forty-six hundredths
39 percent (11.46%) – University Employees' Optional Retirement System; (iv) eleven and
40 forty-six hundredths percent (11.46%) – Community College Optional Retirement
41 Program; (v) seventeen and thirty-one hundredths percent (17.31%) – Consolidated
42 Judicial Retirement System; and (vi) four and ten hundredths percent (4.10%) –
43 Legislative Retirement System. Each of the foregoing contribution rates includes four
44 and ten hundredths percent (4.10%) for hospital and medical benefits. The rate for

1 Teachers and State Employees, State Law Enforcement Officers, Community College
2 Optional Retirement Program, and for the University Employees' Optional Retirement
3 Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan.
4 The rates for Teachers and State Employees and State Law Enforcement Officers
5 include sixteen-hundredths percent (0.16%) for the Death Benefits Plan. The rate for
6 State Law Enforcement Officers includes five percent (5%) for Supplemental
7 Retirement Income."
8

9 **PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE**
10 **TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE**
11 **JUDICIAL RETIREMENT SYSTEM, AND THE LEGISLATIVE**
12 **RETIREMENT SYSTEM**

13 **SECTION 26.23.(a)** G.S. 135-5 is amended by adding a new subsection to
14 read:

15 "(rrr) From and after July 1, 2008, the retirement allowance to or on account of
16 beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased
17 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2008, in
18 accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2008, the retirement
19 allowance to or on account of beneficiaries whose retirement commenced after July 1,
20 2007, but before June 30, 2008, shall be increased by a prorated amount of two and
21 two-tenths percent (2.2%) of the allowance payable as determined by the Board of
22 Trustees based upon the number of months that a retirement allowance was paid
23 between July 1, 2007, and June 30, 2008."

24 **SECTION 26.23.(b)** G.S. 135-65 is amended by adding a new subsection to
25 read:

26 "(cc) From and after July 1, 2008, the retirement allowance to or on account of
27 beneficiaries whose retirement commenced on or before July 1, 2007, shall be increased
28 by two and two-tenths percent (2.2%) of the allowance payable on June 1, 2008.
29 Furthermore, from and after July 1, 2008, the retirement allowance to or on account of
30 beneficiaries whose retirement commenced after July 1, 2007, but before June 30, 2008,
31 shall be increased by a prorated amount of two and two-tenths percent (2.2%) of the
32 allowance payable as determined by the Board of Trustees based upon the number of
33 months that a retirement allowance was paid between July 1, 2007, and June 30, 2008."

34 **SECTION 26.23.(c)** G.S. 120-4.22A is amended by adding a new subsection
35 to read:

36 "(w) In accordance with subsection (a) of this section, from and after July 1, 2008,
37 the retirement allowance to or on account of beneficiaries whose retirement commenced
38 on or before January 1, 2008, shall be increased by two and two-tenths percent (2.2%)
39 of the allowance payable on June 1, 2008. Furthermore, from and after July 1, 2008, the
40 retirement allowance to or on account of beneficiaries whose retirement commenced
41 after January 1, 2008, but before June 30, 2008, shall be increased by a prorated amount
42 of two and two-tenths percent (2.2%) of the allowance payable as determined by the
43 Board of Trustees based upon the number of months that a retirement allowance was
44 paid between January 1, 2008, and June 30, 2008."

1
2 **INCLUDE THE DIRECTOR OF THE OFFICE OF INDIGENT DEFENSE**
3 **SERVICES AS A MEMBER OF THE CONSOLIDATED JUDICIAL**
4 **RETIREMENT SYSTEM**

5 **SECTION 26.24.(a)** G.S. 135-50(b) reads as rewritten:

6 "(b) The purpose of this Article is to improve the administration of justice by
7 attracting and retaining the most highly qualified talent available within the State to the
8 positions of justice and judge, district attorney and solicitor, public defender, the
9 Director of Indigent Defense Services, and clerk of superior court, within the General
10 Court of Justice."

11 **SECTION 26.24.(b)** G.S. 135-51 reads as rewritten:

12 **"§ 135-51. Scope.**

13 (a) This Article provides consolidated retirement benefits for all justices and
14 judges, district attorneys, and solicitors who are serving on January 1, 1974, and who
15 become such thereafter; and for all clerks of superior court who are so serving on
16 January 1, 1975, and who become such after that date; and for all public defenders who
17 are serving on July 1, 2007, and who become public defenders after that ~~date-date~~; and
18 for the Director of Indigent Defense Services who is serving on July 1, 2008, and those
19 who become Director of Indigent Defense Services after that date.

20 (b) For justices and judges of the appellate and superior court divisions of the
21 General Court of Justice who so served prior to January 1, 1974, the provisions of this
22 Article supplement and, under certain circumstances, replace the provisions of Articles
23 6 and 8, as the case may be, of Chapter 7A of the General Statutes.

24 For district attorneys and judges of the district court of the General Court of Justice
25 who so served prior to January 1, 1974, the provisions of this Article supplement and,
26 under certain circumstances, replace the provisions of Article 1 of this Chapter.

27 For clerks of superior court of the General Court of Justice who so served prior to
28 January 1, 1975, the provisions of this Article supplement and, under certain
29 circumstances, replace the provisions of Article 1 of this Chapter.

30 (c) The retirement benefits of any person who becomes a justice or judge, district
31 attorney, or solicitor on and after January 1, 1974, or clerk of superior court on and after
32 January 1, 1975, or public defender on or after July 1, 2007, or the Director of Indigent
33 Defense Services on or after July 1, 2008, shall be determined solely in accordance with
34 the provisions of this Article."

35 **SECTION 26.24.(c)** G.S. 135-53 reads as rewritten:

36 **"§ 135-53. Definitions.**

37 The following words and phrases as used in this Article, unless a different meaning
38 is plainly required by the context, shall have the following meanings:

- 39 (1) "Accumulated contributions" with respect to any member shall mean
40 the sum of all the amounts deducted from the compensation of the
41 member pursuant to G.S. 135-68 since he last became a member and
42 credited to his account in the annuity savings fund, plus any amount
43 standing to his credit pursuant to G.S. 135-67(c) as a result of a prior
44 period of membership, plus any amounts credited to his account

- 1 pursuant to G.S. 135-28.1(b) or 135-56(b), together with regular
2 interest on all such amounts computed as provided in G.S. 135-7(b).
- 3 (2) "Actuarial equivalent" shall mean a benefit of equal value when
4 computed upon the bases of such mortality tables as shall be adopted
5 by the Board of Trustees, and regular interest.
- 6 (2a) "Average final compensation" shall mean the average annual
7 compensation of a member during the 48 consecutive calendar months
8 of membership service producing the highest such average.
- 9 (3) "Beneficiary" shall mean any person in receipt of a retirement
10 allowance or other benefit as provided in this Article.
- 11 (4) "Board of Trustees" shall mean the Board of Trustees established by
12 G.S. 135-6.
- 13 (4a) "Clerk of superior court" shall mean the clerk of superior court
14 provided for in G.S. 7A-100(a).
- 15 (5) "Compensation" shall mean all salaries and wages derived from public
16 funds which are earned by a member of the Retirement System for his
17 service as a justice or judge, or district attorney, or clerk of superior
18 court, or public ~~defender~~ defender, or the Director of Indigent Defense
19 Services.
- 20 (6) "Creditable service" shall mean for any member the total of his prior
21 service plus his membership service.
- 22 (6a) "District attorney" shall mean the district attorney or solicitor provided
23 for in G.S. 7A-60.
- 24 (6b) "Director of Indigent Defense Services" shall mean the Director of
25 Indigent Defense Services as provided for in G.S. 7A-498.6.
- 26 (7) "Filing" when used in reference to an application for retirement shall
27 mean the receipt of an acceptable application on a form provided by
28 the Retirement System.
- 29 (8) "Final compensation" shall mean for any member the annual
30 equivalent of the rate of compensation most recently applicable to him.
- 31 (9) "Judge" shall mean any justice or judge of the General Court of Justice
32 and the administrative officer of the courts.
- 33 (10) "Medical board" shall mean the board of physicians provided for in
34 G.S. 135-6.
- 35 (11) "Member" shall mean any person included in the membership of the
36 Retirement System as provided in this Article.
- 37 (12) "Membership service" shall mean service as a judge, district attorney,
38 clerk of superior court, ~~or public defender~~ defender, or the Director of
39 Indigent Defense Services rendered while a member of the Retirement
40 System.
- 41 (13) "Previous system" shall mean, with respect to any member, the
42 retirement benefit provisions of Article 6 and Article 8 of Chapter 7A
43 of the General Statutes, to the extent that such Article or Articles were
44 formerly applicable to the member, and in the case of judges of the

1 district court division, district attorney, public defender, the Director of
 2 Indigent Defense Services, and clerk of superior court of the General
 3 Court of Justice, the Teachers' and State Employees' Retirement
 4 System.

5 (14) "Prior service" shall mean service rendered by a member, prior to his
 6 membership in the Retirement System, for which credit is allowable
 7 under G.S. 135-56.

8 (14a) "Public defender" means a public defender provided for in
 9 G.S. 7A-498.7, the appellate defender provided for in G.S. 7A-498.8,
 10 the capital defender, and the juvenile defender.

11 (15) "Regular interest" shall mean interest compounded annually at such a
 12 rate as shall be determined by the Board of Trustees in accordance
 13 with G.S. 135-7(b).

14 (16) "Retirement" shall mean the withdrawal from active service with a
 15 retirement allowance granted under the provisions of this Chapter. In
 16 order for a member's retirement to become effective in any month, the
 17 member must render no service at any time during that month.

18 (17) "Retirement allowance" shall mean the periodic payments to which a
 19 beneficiary becomes entitled under the provisions of this Article.

20 (18) "Retirement System" shall mean the "Consolidated Judicial Retirement
 21 System" of North Carolina, as established in this Article.

22 (19) "Year" as used in this Article shall mean the regular fiscal year
 23 beginning July 1 and ending June 30 in the following calendar year,
 24 unless otherwise defined by regulation of the Board of Trustees."

25 **SECTION 26.24.(d)** G.S. 135-54 reads as rewritten:

26 **"§ 135-54. Name and date of establishment.**

27 A Retirement System is hereby established and placed under the management of the
 28 Board of Trustees for the purpose of providing retirement allowances and other benefits
 29 under the provisions of this Article for justices and judges, district attorneys, public
 30 defenders, the Director of Indigent Defense Services, and clerks of superior court of the
 31 General Court of Justice of North Carolina, and their survivors. The Retirement System
 32 so created shall be established as of January 1, 1974.

33 The Retirement System shall have the power and privileges of a corporation and
 34 shall be known as the "Consolidated Judicial Retirement System of North Carolina,"
 35 and by such name all of its business shall be transacted."

36 **SECTION 26.24.(e)** G.S. 135-55 reads as rewritten:

37 **"§ 135-55. Membership.**

38 (a) The membership of the Retirement System shall consist of:

- 39 (1) All judges and district attorneys in office on January 1, 1974;
- 40 (2) All persons who become judges and district attorneys or reenter
 41 service as judges and district attorneys after January 1, 1974;
- 42 (3) All clerks of superior court in office on January 1, 1975;
- 43 (4) All persons who become clerks of superior court or reenter service as
 44 clerks of superior court after January 1, 1975;

- 1 (5) All public defenders in office on July 1, 2007; ~~and~~
2 (6) All persons who become public defenders or reenter service as public
3 defenders after ~~July 1, 2007.~~ July 1, 2007;
4 (7) The Director of Indigent Defense Services on July 1, 2008; and
5 (8) All persons who become the Director of Indigent Defense Services or
6 reenter service as the Director of Indigent Defense Services after July
7 1, 2008.

8 (b) The membership of any person in the Retirement System shall cease upon:

- 9 (1) The withdrawal of his accumulated contributions after he is no longer
10 a judge, district attorney, public defender, the Director of Indigent
11 Defense Services, or clerk of superior court, or
12 (2) His retirement under the provisions of the Retirement System, or
13 (3) His death."

14 **SECTION 26.24.(f)** G.S. 135-58(a5) reads as rewritten:

15 "(a5) Any member who retires under the provisions of G.S. 135-57(a) or
16 G.S. 135-57(c) on or after July 1, 2007, but before July 1, 2008, after the member has
17 either attained the member's 65th birthday or has completed 24 years or more of
18 creditable service, shall receive an annual retirement allowance, payable monthly,
19 which shall commence on the effective date of the member's retirement and shall be
20 continued on the first day of each month thereafter during the member's lifetime, the
21 amount of which shall be computed as the sum of the amounts in subdivisions (1), (2),
22 (3), (4), and (5) of this subsection, provided that in no event shall the annual allowance
23 payable to any member be greater than an amount which, when added to the allowance,
24 if any, to which the member is entitled under the Teachers' and State Employees'
25 Retirement System, the Legislative Retirement System, or the Local Governmental
26 Employees' Retirement System (prior in any case to any reduction for early retirement
27 or for an optional mode of payment), would total three-fourths of the member's final
28 compensation:

- 29 (1) Four and two hundredths percent (4.02%) of the member's final
30 compensation, multiplied by the number of years of creditable service
31 rendered as a justice of the Supreme Court or judge of the Court of
32 Appeals;
33 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
34 compensation, multiplied by the number of years of creditable service
35 rendered as a judge of the superior court or as Administrative Officer
36 of the Courts;
37 (3) Three and two hundredths percent (3.02%) of the member's final
38 compensation, multiplied by the number of years of creditable service
39 rendered as a judge of the district court, district attorney, clerk of
40 superior court, or public defender;
41 (4) A service retirement allowance computed in accordance with the
42 service retirement provisions of Article 3 of Chapter 128 of the
43 General Statutes using an average final compensation as defined in
44 G.S. 135-53(2a) and creditable service equal to the number of years of

1 the member's creditable service that was transferred from the Local
2 Governmental Employees' Retirement System to this System as
3 provided in G.S. 135-56; and

- 4 (5) A service retirement allowance computed in accordance with the
5 service retirement provisions of Article 1 of this Chapter using an
6 average final compensation as defined in G.S. 135-53(2a) and
7 creditable service, including any sick leave standing to the credit of the
8 member, equal to the number of years of the member's creditable
9 service that was transferred from the Teachers' and State Employees'
10 Retirement System or the Legislative Retirement System to this
11 System as provided in G.S. 135-56."

12 **SECTION 26.24.(g)** G.S. 135-58 is amended by adding a new subsection to
13 read:

14 "(a6) Any member who retires under the provisions of G.S. 135-57(a) or
15 G.S. 135-57(c) on or after July 1, 2008, after the member has either attained the
16 member's 65th birthday or has completed 24 years or more of creditable service, shall
17 receive an annual retirement allowance, payable monthly, which shall commence on the
18 effective date of the member's retirement and shall be continued on the first day of each
19 month thereafter during the member's lifetime, the amount of which shall be computed
20 as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) of this subsection,
21 provided that in no event shall the annual allowance payable to any member be greater
22 than an amount which, when added to the allowance, if any, to which the member is
23 entitled under the Teachers' and State Employees' Retirement System, the Legislative
24 Retirement System, or the Local Governmental Employees' Retirement System (prior in
25 any case to any reduction for early retirement or for an optional mode of payment),
26 would total three-fourths of the member's final compensation:

- 27 (1) Four and two hundredths percent (4.02%) of the member's final
28 compensation, multiplied by the number of years of creditable service
29 rendered as a justice of the Supreme Court or judge of the Court of
30 Appeals;
31 (2) Three and fifty-two hundredths percent (3.52%) of the member's final
32 compensation, multiplied by the number of years of creditable service
33 rendered as a judge of the superior court or as Administrative Officer
34 of the Courts;
35 (3) Three and two hundredths percent (3.02%) of the member's final
36 compensation, multiplied by the number of years of creditable service
37 rendered as a judge of the district court, district attorney, clerk of
38 superior court, public defender, or the Director of Indigent Defense
39 Services;
40 (4) A service retirement allowance computed in accordance with the
41 service retirement provisions of Article 3 of Chapter 128 of the
42 General Statutes using an average final compensation as defined in
43 G.S. 135-53(2a) and creditable service equal to the number of years of
44 the member's creditable service that was transferred from the Local

Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56."

SECTION 26.24.(h) G.S. 135-56 is amended by adding a new subsection to read:

"(i) On and after July 1, 2008, the creditable service of a member who is the Director of Indigent Defense Services and a member of the Teachers' and State Employees' Retirement System at the time of transfer of membership from the previous system to this System shall include service as the Director of Indigent Defense Services and as a public defender that was creditable in the previous system immediately prior to July 1, 2008. The accumulated contributions, creditable service, and reserves, if any, of a member as clerk of the Supreme Court or clerk of the Court of Appeals shall be transferred from the previous system to this System in the same manner as prescribed under G.S. 135-28.1 as it pertained to judges of the district court division of the General Court of Justice."

PART XXVII. CAPITAL APPROPRIATIONS.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 27.1. There is appropriated from the General Fund for the 2008-2009 fiscal year the following amounts for capital improvements:

Capital Improvements – General Fund	2008-2009
Department of Administration	
Capital Area Visitors Center and Parking Garage Planning	\$ 2,600,000
North Carolina Freedom Monument Planning	500,000
Department of Agriculture and Consumer Services	
Agriculture Building Comprehensive Renovation Planning	1,225,000
Motor Fuels/Metrology Laboratory Planning	1,000,000
Governor James B. Hunt Horse Complex – Horse Barn	3,338,068
Southeastern North Carolina Agricultural Center Pavilion Planning	314,585
Study Evaluation of the Veterinary Diagnostic Laboratory System	620,000
Department of Commerce	
Port of Morehead City Port-wide Berth Structure Construction	2,500,000

1	Port of Wilmington Berth 8 Replacement – Phase I	5,000,000
2	Wanchese Seafood Industrial Park – Capital Improvements	605,700
3		
4	Department of Correction	
5	Lanesboro Correctional Institution – Medium Security	
6	Addition Planning and Site Development	6,950,000
7		
8	Department of Crime Control and Public Safety	
9	Butner Training Site Buffer – Phase II	126,200
10	Butner Training Site Sewer Extension and Latrine Replacement	245,430
11	Gastonia Armory Rehabilitation Addition and Alteration	527,100
12	Master Facilities Planning Statewide – Phase II	300,300
13	Siler City Armory Rehabilitation Addition and Alteration	929,600
14		
15	Department of Cultural Resources	
16	Charlotte Hawkins Brown State Historic Site	1,000,000
17	Mattamuskeet Lodge Renovations – Phase II	6,615,500
18	Museum of History Chronology Exhibit – Phase I to 1900 (Supplement)	1,000,000
19		
20	Department of Environment and Natural Resources	
21	Land for Tomorrow Parks and Conservation Land Acquisition	50,000,000
22	Water Resources Development Projects	20,000,000
23	Zoo Africa Pavilion Replacement Planning	600,000
24	Zoo Polar Bear Exhibit Addition and Renovation	2,700,000
25		
26	Department of Justice	
27	Addition to SBI Buildings 17 and 18	1,792,006
28		
29	State Highway Patrol	
30	Training Academy Facilities and Dormitory Planning	1,790,300
31		
32	University of North Carolina System	
33	Appalachian State University – College of Nursing and	
34	Health Sciences Building Planning	2,100,000
35		
36	Elizabeth City State University – School of Aviation Complex	
37	Planning and Site Development	1,500,000
38		
39	East Carolina University – New Family Medicine/Geriatric	
40	Center Planning	1,874,932
41		
42	Fayetteville State University – Teaching Education	
43	and General Classroom Building Planning	1,700,000
44		

1	Millennium Campus – Joint Primary Data Center Planning	1,852,016
2		
3	North Carolina School of Science and Mathematics Discovery Center	
4	Planning and Site Development	7,250,000
5		
6	North Carolina School of the Arts – Central Storage Facility Planning	444,000
7		
8	North Carolina State University – 4-H Camps Improvements	2,500,000
9		
10	University of North Carolina at Asheville – Replace Carmichael	
11	Hall & University Lecture Hall Planning	1,100,000
12		
13	University of North Carolina at Chapel Hill	
14	Biomedical Research Imaging Center Planning	4,000,000
15	School of Law Replacement Planning	3,500,000
16		
17	University of North Carolina at Charlotte – Science Building Planning	2,400,000
18		
19	University of North Carolina at Pembroke – Information	
20	Commons Building Planning	2,000,000
21		
22	University of North Carolina at Wilmington – Allied Health and	
23	Human Sciences Building Planning	1,700,000
24		
25	Western Carolina University– Education and Allied Professions	
26	Building Planning	1,900,000
27		
28	Winston-Salem State University	
29	Sciences and General Office Building Planning	3,000,000
30	Student Activity Center – Budget Supplement	9,799,000
31		
32	University of North Carolina General Administration Upper Coastal	
33	Plain Education and Health Center Planning	1,000,000
34		
35	University of North Carolina System Wide	
36	Fire Safety Improvements – Student Residence Halls	3,000,000
37	Land Acquisition	5,000,000
38		
39	TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$169,899,737

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 27.2.(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	2008-2009
(1) Wilmington Harbor Deepening	\$ 1,000,000
(2) Wilmington Harbor Maintenance	500,000
(3) Morehead City Harbor Maintenance	0
(4) B. Everett Jordan Water Supply Storage	200,000
(5) Dredging Contingency Fund	2,500,000
(6) Deep Creek Structure 5-D (Yadkin County)	5,444,000
(7) North Carolina Beach and Inlet Management Plan	250,000
(8) Neuse River Basin Study	33,000
(9) Manteo (Shallowbag Bay) Channel Maintenance	100,000
(10) Currituck Sound Water Management Study	50,000
(11) Planning Assistance to Communities	100,000
(12) Bogue Banks Beach Protection	120,000
(13) West Onslow Beach (Topsail Beach, Pender County)	0
(14) Belhaven Harbor Feasibility Study	15,000
(15) Princeville Flood Control	0
(16) Surf City – N. Topsail Beach Protection (Pender County)	0
(17) North Carolina International Terminal	500,000
(18) AIWW Dredging	1,638,000
(19) State-Local Projects	2,000,000
(20) Swan Quarter Dike Project (Hyde County)	250,000
(21) Aquatic Plant Control, Statewide and Lake Gaston	200,000
(22) Aquatic Weed Program Storage Facility	100,000
(23) Hammocks Beach SP – Cow Channel Dredging	2,600,000
(24) Dillsboro Dam Removal	400,000
(25) Topsail Beach Emergency Nourishment	2,000,000
TOTALS	\$20,000,000

SECTION 29.3.(b) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2008-2009 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

- (1) U.S. Army Corps of Engineers project feasibility studies.
- (2) U.S. Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2008-2009.
- (3) State-local water resources development projects.

1 Funds not expended or encumbered for these purposes shall revert to the General Fund
2 at the end of the 2009-2010 fiscal year.

3 **SECTION 29.3.(c)** The Department shall make semiannual reports on the
4 use of these funds to the Joint Legislative Commission on Governmental Operations,
5 the Fiscal Research Division, and the Office of State Budget and Management. Each
6 report shall include all of the following:

- 7 (1) All projects listed in this section.
- 8 (2) The estimated cost of each project.
- 9 (3) The date that work on each project began or is expected to begin.
- 10 (4) The date that work on each project was completed or is expected to be
11 completed.
- 12 (5) The actual cost of each project.

13 The semiannual reports shall also show those projects advanced in schedule,
14 those projects delayed in schedule, and an estimate of the amount of funds expected to
15 revert to the General Fund.

16 **REPAIRS AND RENOVATIONS RESERVE ALLOCATION**

17 **SECTION 27.3.(a)** Of the funds in the Reserve for Repairs and Renovations
18 for the 2008-2009 fiscal year, the sum of five million dollars (\$5,000,000) shall be
19 allocated to the Energy Efficiency Reserve for the purposes set forth in subsection (c) of
20 this section. Of the remaining funds in the Reserve for Repairs and Renovations for the
21 2008-2009 fiscal year, forty-six percent (46%) shall be allocated to the Board of
22 Governors of The University of North Carolina for repairs and renovations pursuant to
23 G.S. 143C-4-3, in accordance with guidelines developed in The University of North
24 Carolina Funding Allocation Model for Reserve for Repairs and Renovations, as
25 approved by the Board of Governors of The University of North Carolina, and fifty-four
26 percent (54%) shall be allocated to the Office of State Budget and Management for
27 repairs and renovations pursuant to G.S. 143C-4-3.

28 Notwithstanding G.S. 143C-4-3, the Board of Governors may allocate funds
29 for the repair and renovation of facilities not supported from the General Fund if the
30 Board determines that sufficient funds are not available from other sources and that
31 conditions warrant General Fund assistance. Any such finding shall be included in the
32 Board's submission to the Joint Legislative Commission on Governmental Operations
33 on the proposed allocation of funds.

34 The Board of Governors and the Office of State Budget and Management
35 shall consult with the Joint Legislative Commission on Governmental Operations prior
36 to the allocation or reallocation of these funds.

37 **SECTION 27.3.(b)** Of the funds allocated to the Board of Governors of The
38 University of North Carolina in subsection (a) of this section, a portion shall be used by
39 the Board of Governors for the installation of fire sprinklers in University residence
40 halls. This portion shall be in addition to funds otherwise appropriated in this act for the
41 same purpose. Such funds shall be allocated among the University's constituent
42 institutions by the President of The University of North Carolina, who shall consider the
43 following factors when allocating those funds:
44

- 1 (1) The safety and well-being of the residents of campus housing
2 programs.
- 3 (2) The current level of housing rents charged to students and how that
4 compares to an institution's public peers and other UNC institutions.
- 5 (3) The level of previous authorizations to constituent institutions for the
6 construction or renovation of residence halls funded from the General
7 Fund, or from bonds or certificates of participation supported by the
8 General Fund, since 1996.
- 9 (4) The financial status of each constituent institution's housing system,
10 including debt capacity, debt coverage ratios, credit rankings, required
11 reserves, the planned use of cash balances for other housing system
12 improvements, and the constituent institution's ability to pay for the
13 installation of fire sprinklers in all residence halls.
- 14 (5) The total cost of each proposed project, including the cost of installing
15 fire sprinklers and the cost of other construction, such as asbestos
16 removal and additional water supply needs.

17 The Board of Governors shall submit progress reports to the Joint Legislative
18 Commission on Governmental Operations. Reports shall include the status of
19 completed, current, and planned projects. Reports shall also include information on the
20 financial status of each constituent institution's housing system, the constituent
21 institution's ability to pay for fire protection in residence halls, and the timing of
22 installation of fire sprinklers. Reports shall be submitted on January 1 and July 1 until
23 all residence halls have fire sprinklers.

24 **SECTION 27.3.(c)** The Energy Efficiency Reserve shall be administered by
25 the State Energy Office. The State Energy Office, in consultation with the State
26 Construction Office, shall use the funds in the Energy Efficiency Reserve to provide
27 funding for projects designed to make State, university, or community college facilities
28 more energy efficient. Projects eligible to make State, university, or community college
29 facilities more energy efficient from remaining funds in the Energy Efficiency Reserve
30 include:

- 31 (1) Replacement of incandescent light bulbs with compact fluorescent
32 light bulbs, installation of exit signs that employ light-emitting diode
33 (LED) technology, the installation of occupancy sensors or optical
34 sensors, and other lighting efficiency improvements.
- 35 (2) For windows that need replacement, installation of more energy
36 efficient windows.
- 37 (3) Insulation improvements when practicable.
- 38 (4) Replacement of inefficient or oversized heating, ventilation, and
39 air-conditioning (HVAC) systems when those systems are subject to
40 replacement and installation of programmable automation systems.
- 41 (5) Installation of aerators in sink faucets that reduce the flow rate and
42 other water system projects that reduce water consumption.
- 43 (6) Any other retrofit or replacement projects that make State, university,
44 or community college facilities more energy efficient for which the

1 incremental cost of the project will be equal to or less than the energy
 2 or water savings that result over a period of three years after
 3 completion.

4 Funds appropriated to the Reserve for the 2008-2009 fiscal year shall not
 5 revert and shall remain available until expended. The State Energy Office shall report to
 6 the House of Representatives and Senate Appropriations Committees on the use of the
 7 Reserve funds no later than May 1, 2009.

8

9 **NON-GENERAL FUND CAPITAL IMPROVEMENT AUTHORIZATIONS**

10 **SECTION 27.4.(a)** The General Assembly authorizes the following capital
 11 projects to be funded with receipts or from other non-General Fund sources:

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Name of Project	Amount of Non-General Fund Funding Authorized for 2008-2009
Department of Agriculture and Consumer Services	
Caswell Research Farm – Repair Shop	\$ 450,000
Piedmont Research Station – Grain Storage Facility Renovation	400,000
Raleigh Farmers Market – Capital Improvements	900,000
Research Stations – Irrigation System Renovation	200,000
Research Stations – Storage Facilities	225,000
Senator Bob Martin Eastern Agricultural Center – Capital Improvements	500,000
State Fair – Campground	6,341,601
State Fair – Infrastructure Improvements	200,000
State Fair – Pond Improvements	500,000
Tidewater Research Station – Steer Barn	350,000
Triad Farmers Market – Capital Improvements	3,000,000
WNC Agricultural Center – New Vision Plan	900,000
Department of Correction	
Broughton Correctional Center – Laundry Steam Plant	1,400,000
Umstead Correctional Center – Laundry Steam Plant	1,322,965
Wayne Correctional Center – Chase Laundry Steam Plant	1,368,926
Department of Crime Control and Public Safety	
NC National Guard – Armory Improvements	8,402,273
NC National Guard – Asheville Field Maintenance Shop	3,743,000
NC National Guard – Camp Butner Training Site – Cantonment Complex	15,617,000
NC National Guard – Fixed Wing Hanger Complex – Morrisville	6,466,000
Department of Cultural Resources	
Museum of Art – Enhanced Landscaping	7,500,000

1	USS North Carolina Battleship Memorial – Phase 3 Renovations	1,977,000
2		
3	Department of Environment and Natural Resources	
4	Bladen Lakes State Forest – Shop Building	943,800
5	Forest Resources – Region 2 Training Building	460,500
6		
7	Department of Transportation	
8	Statewide Transportation Operations Center	7,650,000
9		
10	Wildlife Resources Commission	
11	Armstrong Hatchery – Lower Raceway Renovation	1,725,000
12	Boating Access Area Improvements	2,800,000
13	Centennial Campus Center for Wildlife Education –	
14	Exhibit Completion	200,000
15	Centennial Campus Center for Wildlife Education –	
16	Heat and Humidity Controls	6,000
17	Chowan Bridge Fishing Pier and Boating Access	2,000,000
18	Land Acquisitions – State Game Lands	62,660,000
19	Marion Depot – Drainage Repairs	200,000
20	McKinney Lake Hatchery – Kettle Replacement	1,955,000
21	New Coldwater Fish Hatchery	7,900,000
22	New Construction Depot	500,000
23	Outer Banks Center for Wildlife Education – Repairs and	
24	Improvements	223,000
25	Outer Banks Center for Wildlife Education – Teaching Facility	700,000
26	Pisgah Center for Wildlife Education – Gift Shop Extension	200,000
27	Pisgah Center for Wildlife Education – Outdoor Exhibit	450,000
28	Pisgah Center for Wildlife Education – Repairs and	
29	Improvements	148,000
30	Pisgah Center for Wildlife Education – Storage Building	150,000
31	Pisgah Center for Wildlife Education – Teaching Facility	564,905
32	Pisgah Center for Wildlife Education – Teaching Facility	
33	Upfit and Pavilion	280,000
34	Rhodes Pond Dam Repairs	500,000
35	Table Rock Hatchery – New Building	575,000
36	Table Rock Hatchery – Office Building and Workshop	345,000
37	Watha Fish Hatchery – Residence Replacement	707,250
38		
39	TOTAL AMOUNT OF NON-GENERAL FUND CAPITAL	
40	PROJECTS AUTHORIZED	\$155,607,220

41

42 **SECTION 27.4.(b)** From funds deposited with the State Treasurer in a

43 capital improvement account to the credit of the Department of Agriculture and

44 Consumer Services pursuant to G.S. 146-30, the sum of thirty thousand dollars

1 (\$30,000) for the 2008-2009 fiscal year shall be transferred to the Department of
2 Agriculture and Consumer Services to be used, notwithstanding G.S. 146-30, by the
3 Department for its plant conservation program under Article 19B of Chapter 106 of the
4 General Statutes for costs incidental to the acquisition of land, such as land appraisals,
5 land surveys, title searches, environmental studies, and for the management of the plant
6 conservation program preserves owned by the Department.

7 **SECTION 27.4.(c)** Of the funds previously authorized to be used for the
8 construction of a frozen dough manufacturing facility at Maury Correctional Institution,
9 the Department of Correction may use one million five hundred thousand dollars
10 (\$1,500,000) to upfit a general industry operation at Tabor Correctional Institution.

11
12 **STUDY RELOCATION OF HIGHWAY PATROL TRAINING FACILITIES**

13 **SECTION 27.5.** The Department of Crime Control and Public Safety, in
14 consultation with the Department of Administration, shall study suitable locations all
15 across this State for a relocation of the Highway Patrol's Garner Road complex and shall
16 report its findings and recommendations to the Chairs of the House and Senate
17 Appropriations Committees and to the Chairs of the House Appropriations
18 Subcommittee on Capital no later than February 1, 2009.

19
20 **ACCESS TO DRY CLEANING SOLVENT CLEANUP FUND FOR GREEN**
21 **SQUARE PROJECT**

22 **SECTION 27.6.** The limitation contained in G.S. 143-215.104N(b)(9) shall
23 not apply to costs incurred by the Department of Environment and Natural Resources in
24 connection with the Green Square Project site, originally authorized in Section 1 of S.L.
25 2005-255.

26
27 **CHRONOLOGY EXHIBIT ON FIRST FLOOR OF NC MUSEUM OF HISTORY**

28 **SECTION 27.7.** The Department of Cultural Resources may use all of the
29 funds appropriated in this act and in Section 29.1 of S.L. 2007-323 for the North
30 Carolina Museum of History Chronology Exhibit to make capital improvements
31 necessary to ensure that the entire exhibit is located on the first floor of the Museum.

32
33 **SPECIAL INDEBTEDNESS PROJECTS**

34 **SECTION 27.8.(a)** The State, with the prior approval of the State Treasurer
35 and the Council of State, as provided in Article 9 of Chapter 142 of the General
36 Statutes, is authorized to issue or incur special indebtedness in order to provide funds to
37 the State to be used, together with other available funds, to pay the capital facility costs
38 of the projects described in this subsection. In accordance with G.S. 142-83, this
39 subsection authorizes the issuance or incurrence of special indebtedness:

- 40 (1) In the maximum aggregate principal amount of sixty-two million
41 dollars (\$62,000,000) to finance the capital facility costs of completing
42 a School of Dentistry building at East Carolina University and no more
43 than 10 satellite dental clinics across the State. No more than a
44 maximum aggregate amount of twenty million dollars (\$20,000,000)

1 of special indebtedness may be issued or incurred under this
2 subdivision prior to July 1, 2009. No more than a maximum aggregate
3 amount of fifty-five million dollars (\$55,000,000) of special
4 indebtedness may be issued or incurred under this subdivision prior to
5 July 1, 2010.

6 (2) In the maximum aggregate principal amount of eighteen million
7 dollars (\$18,000,000) to finance the capital facility costs of a School of
8 Education building at Elizabeth City State University. No more than a
9 maximum aggregate amount of five million dollars (\$5,000,000) of
10 special indebtedness may be issued or incurred under this subdivision
11 prior to July 1, 2009. No more than a maximum aggregate amount of
12 fifteen million dollars (\$15,000,000) of special indebtedness may be
13 issued or incurred under this subdivision prior to July 1, 2010.

14 (3) In the maximum aggregate principal amount of twenty million four
15 hundred ninety thousand dollars (\$20,490,000) to finance the capital
16 facility costs of completing a general classroom building at North
17 Carolina Agricultural and Technical State University. No more than a
18 maximum aggregate amount of ten million dollars (\$10,000,000) of
19 special indebtedness may be issued or incurred under this subdivision
20 prior to July 1, 2009.

21 (4) In the maximum aggregate principal amount of twenty-four million
22 five hundred thousand dollars (\$24,500,000) to finance the capital
23 facility costs of completing a School of Nursing building at North
24 Carolina Central University. No more than a maximum aggregate
25 amount of seven million dollars (\$7,000,000) of special indebtedness
26 may be issued or incurred under this subdivision prior to July 1, 2009.
27 No more than a maximum aggregate amount of fifteen million dollars
28 (\$15,000,000) of special indebtedness may be issued or incurred under
29 this subdivision prior to July 1, 2010.

30 (5) In the maximum aggregate principal amount of one hundred nine
31 million one hundred thousand dollars (\$109,100,000) to finance the
32 capital facility costs of completing the Centennial Campus library at
33 North Carolina State University. No more than a maximum aggregate
34 amount of thirty million dollars (\$30,000,000) of special indebtedness
35 may be issued or incurred under this subdivision prior to July 1, 2009.
36 No more than a maximum aggregate amount of sixty million dollars
37 (\$60,000,000) of special indebtedness may be issued or incurred under
38 this subdivision prior to July 1, 2010. No more than a maximum
39 aggregate amount of ninety million dollars (\$90,000,000) of special
40 indebtedness may be issued or incurred under this subdivision prior to
41 July 1, 2011.

42 (6) In the maximum aggregate principal amount of sixty-nine million
43 dollars (\$69,000,000) to finance the capital facility costs of completing
44 a School of Dentistry expansion at the University of North Carolina at

1 Chapel Hill. No special indebtedness may be issued or incurred under
2 this subdivision prior to July 1, 2009. No more than a maximum
3 aggregate amount of twenty-five million dollars (\$25,000,000) of
4 special indebtedness may be issued or incurred under this subdivision
5 prior to July 1, 2010. No more than a maximum aggregate amount of
6 sixty-one million dollars (\$61,000,000) of special indebtedness may be
7 issued or incurred under this subdivision prior to July 1, 2011.

8 (7) In the maximum aggregate principal amount of forty-two million six
9 hundred seventy thousand dollars (\$42,670,000) to finance the capital
10 facility costs of completing an academic classroom and office building
11 at the University of North Carolina at Greensboro. No more than a
12 maximum aggregate amount of twenty-one million dollars
13 (\$21,000,000) of special indebtedness may be issued or incurred under
14 this subdivision prior to July 1, 2009.

15 (8) In the maximum aggregate principal amount of forty-five million one
16 hundred seventy thousand five hundred dollars (\$45,170,500) to
17 finance the capital facility costs of completing a health care and mental
18 health facility at the North Carolina Correctional Institute for Women.
19 No more than a maximum aggregate amount of seventeen million
20 dollars (\$17,000,000) of special indebtedness may be issued or
21 incurred under this subdivision prior to July 1, 2009. No more than a
22 maximum aggregate amount of forty-one million dollars (\$41,000,000)
23 of special indebtedness may be issued or incurred under this
24 subdivision prior to July 1, 2010.

25 (9) In the maximum aggregate principal amount of thirteen million ten
26 thousand dollars (\$13,010,000) to finance the capital facility costs of
27 completing a minimum security addition at Scotland Correctional
28 Institution. No more than a maximum aggregate amount of six million
29 dollars (\$6,000,000) of special indebtedness may be issued or incurred
30 under this subdivision prior to July 1, 2009. No more than a maximum
31 aggregate amount of ten million dollars (\$10,000,000) of special
32 indebtedness may be issued or incurred under this subdivision prior to
33 July 1, 2010.

34 (10) In the maximum aggregate principal amount of eighteen million nine
35 hundred fifty thousand dollars (\$18,950,000) to finance the capital
36 facility costs of completing a medium security addition at Bertie
37 Correctional Institution. No more than a maximum aggregate amount
38 of seven million dollars (\$7,000,000) of special indebtedness may be
39 issued or incurred under this subdivision prior to July 1, 2009. No
40 more than a maximum aggregate amount of fourteen million dollars
41 (\$14,000,000) of special indebtedness may be issued or incurred under
42 this subdivision prior to July 1, 2010.

43 (11) In the maximum aggregate principal amount of thirteen million ten
44 thousand dollars (\$13,010,000) to finance the capital facility costs of

1 completing a minimum security addition at Tabor Correctional
 2 Institution. No more than a maximum aggregate amount of six million
 3 dollars (\$6,000,000) of special indebtedness may be issued or incurred
 4 under this subdivision prior to July 1, 2009. No more than a maximum
 5 aggregate amount of ten million dollars (\$10,000,000) of special
 6 indebtedness may be issued or incurred under this subdivision prior to
 7 July 1, 2010.

8 (12) In the maximum aggregate principal amount of one hundred seven
 9 million dollars (\$107,000,000) to finance the capital facility costs of
 10 completing the Green Square Project in the Department of
 11 Environment and Natural Resources, originally authorized in S.L.
 12 2005-255. No special indebtedness may be issued or incurred under
 13 this subdivision prior to July 1, 2009. No more than a maximum
 14 aggregate amount of forty million dollars (\$40,000,000) of special
 15 indebtedness may be issued or incurred under this subdivision prior to
 16 July 1, 2010. No more than a maximum aggregate amount of one
 17 hundred four million dollars (\$104,000,000) of special indebtedness
 18 may be issued or incurred under this subdivision prior to July 1, 2011.

19 **SECTION 27.8.(b)** Section 1.1 of S.L. 2004-179, as amended by Section
 20 30.3A of S.L. 2005-276 and Section 2.1 of S.L. 2006-146, reads as rewritten:

21 **"SECTION 1.1.** In accordance with G.S. 142-83, this section authorizes the
 22 issuance or incurrence of special indebtedness in the following maximum aggregate
 23 principal amounts to finance the costs of the following projects. The table below
 24 provides the maximum principal amounts. The first column is the aggregate maximum
 25 principal amount. The second column is the maximum portion of this amount that can
 26 be issued or incurred before July 1, 2005. The State, with the prior approval of the State
 27 Treasurer and the Council of State, as provided in Article 9 of Chapter 142 of the
 28 General Statutes, is authorized to issue or incur special indebtedness in order to provide
 29 funds to the State to be used, together with other available funds, to pay the cost of these
 30 projects.

Aggregate Maximum	Maximum before 7/1/05	Project
\$180,000,000	\$110,000,000	Acquiring, constructing, and equipping a new cancer rehabilitation and treatment center, a nearby physicians' office building, and a walkway between the two, all to be located at the University of North Carolina Hospitals at Chapel Hill.
60,000,000	30,000,000	Acquiring, constructing, and equipping the North Carolina Cardiovascular Diseases Institute at East Carolina University.
35,000,000	25,000,000	Acquiring, constructing, and equipping a Bioinformatics Center at the University of North Carolina at Charlotte.

1	28,000,000	25,000,000	Acquiring, constructing, and equipping a
2			stand-alone facility to house the new
3			Pharmacy School program to be located at
4			Elizabeth City State University, and interim
5			temporary facilities to house the program
6			during construction of the facility.
7	35,000,000	25,000,000	Acquiring, constructing, and equipping a
8			Center for Health Promotion and Partnerships
9			at the University of North Carolina at
10			Asheville.
11	10,000,000	10,000,000	Land acquisition, site preparation,
12			engineering, architectural, and other
13			consulting services, and construction for the
14			Southeastern North Carolina Nursing
15			Education and Research Center at Fayetteville
16			State University.
17	10,000,000	10,000,000	Site preparation, engineering, architectural,
18			and other consulting services and the
19			construction of a research building on the joint
20			Millennial Campus of North Carolina
21			Agricultural and Technical State University
22			and the University of North Carolina at
23			Greensboro.
24	10,000,000	10,000,000	Land acquisition, site preparation,
25			engineering, architectural, and other
26			consulting services, and construction of a
27			Nursing and Allied Health Building at the
28			University of North Carolina at Pembroke.
29	10,000,000	10,000,000	To Western Carolina University for land
30			acquisition, site preparation, engineering,
31			architectural, and other consulting services,
32			and construction of a building for Western
33			Carolina University and the Mountain Area
34			Health Education Consortium for the North
35			Carolina Center for Health and Aging to be
36			operated as a consortium among Western
37			Carolina University, the University of North
38			Carolina at Asheville, and the Mountain Area
39			Health Education Consortium.
40	10,000,000 11,500,000	10,000,000	Land acquisition, site preparation,
41			engineering, architectural, and other
42			consulting services, and construction of a
43			Center for Design Innovation in the Piedmont
44			Triad Research Park to be operated jointly by

1 Winston-Salem State University and the North
2 Carolina School of the Arts.

3 **TOTAL:**

4 \$388,000,000\$389,500,000 \$265,000,000"

5 **SECTION 27.8.(c)** Section 23.12(a) of S.L. 2006-66 reads as rewritten:

6 "SECTION 23.12.(a) In accordance with G.S. 142-83, this subsection authorizes
7 the issuance or incurrence of special indebtedness in the maximum aggregate principal
8 amount of ~~forty million dollars (\$40,000,000)~~ forty-five million one hundred thirty
9 thousand dollars (\$45,130,000) to finance the costs of constructing new buildings and
10 pavilions and renovating existing buildings at the North Carolina Museum of Art. The
11 State, with the prior approval of the State Treasurer and the Council of State, as
12 provided in Article 9 of Chapter 142 of the General Statutes, is authorized to issue or
13 incur special indebtedness in order to provide funds to the State to be used, together
14 with other available funds, to pay the costs of constructing and renovating the project
15 described in this subsection."

16 **SECTION 27.8.(d)** This section is effective when it becomes law.
17

18 **PART XXVIII. TAX LAW CHANGES**

19
20 **IRC UPDATE**

21 **SECTION 28.1.(a)** G.S. 105-228.90(b)(1b) reads as rewritten:

22 "(1b) Code. – The Internal Revenue Code as enacted as of ~~January 1, 2007,~~
23 May 1, 2008, including any provisions enacted as of that date which
24 become effective either before or after that date."

25 **SECTION 28.1.(b)** Notwithstanding subsection (a) of this section, any
26 amendments to the Internal Revenue Code enacted after January 1, 2007, that increase
27 North Carolina taxable income for the 2007 taxable year become effective for taxable
28 years beginning on or after January 1, 2008.

29 **SECTION 28.1.(c)** G.S. 105-130.5(a) reads as rewritten:

30 "(a) The following additions to federal taxable income shall be made in
31 determining State net income:

32 ...

33 (15) ~~The~~ For taxable years 2002-2005, the applicable percentage of the
34 amount allowed as a special accelerated depreciation deduction under
35 section 168(k) or section 1400L of the Code, as set out in the table
36 below. In addition, a taxpayer who was allowed a special accelerated
37 depreciation deduction under section 168(k) or section 1400L of the
38 Code in a taxable year beginning before January 1, 2002, and whose
39 North Carolina taxable income in that earlier year reflected that
40 accelerated depreciation deduction must add to federal taxable income
41 in the taxpayer's first taxable year beginning on or after January 1,
42 2002, an amount equal to the amount of the deduction allowed in the
43 earlier taxable year. These adjustments do not result in a difference in

basis of the affected assets for State and federal income tax purposes.
 The applicable percentage is as follows:

Taxable Year	Percentage
2002	100%
2003	70%
2004	70%
2005 and thereafter	0%

...."

SECTION 28.1.(d) G.S. 105-130.5(a) is amended by adding a new subdivision to read:

"(a) The following additions to federal taxable income shall be made in determining State net income:

...

(15a) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) of the Code for property placed in service after December 31, 2007, but before January 1, 2009. In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 for property placed in service during that period, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the deduction amount allowed in the 2007 taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage under this subdivision is eighty-five percent (85%).

...."

SECTION 28.1.(e) G.S. 105-134.6(c) reads as rewritten:

"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

...

~~(8) The~~ For taxable years 2002-2005, the applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code, as set out in the table below. In addition, a taxpayer who was allowed a special accelerated depreciation deduction under section 168(k) or section 1400L of the Code in a taxable year beginning before January 1, 2002, and whose North Carolina taxable income in that earlier year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's first taxable year beginning on or after January 1, 2002, an amount equal to the amount of the deduction allowed in the earlier taxable year. These adjustments do not result in a difference in

basis of the affected assets for State and federal income tax purposes.
 The applicable percentage is as follows:

Taxable Year	Percentage
2002	100%
2003	70%
2004	70%
2005 and thereafter	0%

...."

SECTION 28.1.(f) G.S. 105-134.6(c) is amended by adding a new subdivision to read:

"(c) Additions. – The following additions to taxable income shall be made in calculating North Carolina taxable income, to the extent each item is not included in taxable income:

...

(8a) The applicable percentage of the amount allowed as a special accelerated depreciation deduction under section 168(k) of the Code for property placed in service after December 31, 2007, but before January 1, 2009. In addition, a taxpayer who was allowed a special accelerated depreciation deduction in taxable year 2007 for property placed in service for that period, and whose North Carolina taxable income for that year reflected that accelerated depreciation deduction must add to federal taxable income in the taxpayer's 2008 taxable year an amount equal to the applicable percentage of the deduction amount allowed in the 2007 taxable year. These adjustments do not result in a difference in basis of the affected assets for State and federal income tax purposes. The applicable percentage under this subdivision is eighty-five percent (85%).

...."

SECTION 28.1.(g) G.S. 105-130.5(b) is amended by adding a new subdivision to read:

"(b) The following deductions from federal taxable income shall be made in determining State net income:

...

(21a) In each of the taxpayer's first five taxable years beginning on or after January 1, 2009, an amount equal to twenty percent (20%) of the amount added to taxable income in taxable year 2008 as accelerated depreciation under subdivision (a)(15a) of this section.

...."

SECTION 28.1.(h) G.S. 105-134.6(b) is amended by adding a new subdivision to read:

"(b) Deductions. – The following deductions from taxable income shall be made in calculating North Carolina taxable income, to the extent each item is included in taxable income:

...

(17a) In each of the taxpayer's first five taxable years beginning on or after January 1, 2009, an amount equal to twenty percent (20%) of the amount added to taxable income in taxable year 2008 as accelerated depreciation under subdivision (c)(8a) of this section.

...."

SECTION 28.1.(i) This section is effective for taxable years beginning on or after January 1, 2008.

EXTEND CREDIT FOR RESEARCH AND DEVELOPMENT

SECTION 28.2.(a) G.S. 105-129.51(b) reads as rewritten:

"(b) This Article is repealed for taxable years beginning on or after January 1, ~~2009-2014.~~"

SECTION 28.2.(b) This section is effective when it becomes law.

EXTEND LOW-INCOME HOUSING CREDIT

SECTION 28.3.(a) G.S. 105-129.45 reads as rewritten:

"§ 105-129.45. Sunset.

This Article is repealed effective January 1, ~~2010-2015.~~ The repeal applies to developments to which federal credits are allocated on or after January 1, ~~2010-2015.~~"

SECTION 28.3.(b) This section is effective when it becomes law.

EXTEND MILL REHABILITATION TAX CREDIT

SECTION 28.4.(a) G.S. 105-129.70 reads as rewritten:

"§ 105-129.70. Definitions.

The following definitions apply in this Article:

- (1) Certified historic structure. – Defined in section 47 of the Code.
- (2) Certified rehabilitation. – Defined in G.S. 105-129.36.
- (3) Cost certification. – The certification obtained by the State Historic Preservation Officer from the taxpayer of the amount of the qualified rehabilitation expenditures or the rehabilitation expenses incurred with respect to a certified rehabilitation of an eligible site.
- (3a) Development tier area. – Defined in G.S. 143B-437.08.
- (4) Eligibility certification. – The certification obtained from the State Historic Preservation Officer that the applicable facility comprises an eligible ~~site, site and that the rehabilitation is a certified rehabilitation.~~
- (5) Eligible site. – A site located in this State that satisfies all of the following conditions:
 - a. It was used as a manufacturing facility or for purposes ancillary to manufacturing, as a warehouse for selling agricultural products, or as a public or private utility.
 - b. It is a certified historic structure or a State-certified historic structure.

1 c. It has been at least eighty percent (80%) vacant for a period of
2 at least two years immediately preceding the date the eligibility
3 certification is made.

4 ~~d. The cost certification documents that the qualified rehabilitation~~
5 ~~expenditures for a site for which a taxpayer is allowed a credit~~
6 ~~under section 47 of the Code or the rehabilitation expenses for a~~
7 ~~site for which the taxpayer is not allowed a credit under section~~
8 ~~47 of the Code exceed three million dollars (\$3,000,000) for the~~
9 ~~site as a whole.~~

10 (6) Repealed by Session Laws 2006-252, s. 2.22, effective January 1,
11 2007.

12 (7) Pass-through entity. – Defined in G.S. 105-228.90.

13 (8) Qualified rehabilitation expenditures. – Defined in section 47 of the
14 Code.

15 (9) Rehabilitation expenses. – Defined in G.S. 105-129.36.

16 (10) State-certified historic structure. – Defined in G.S. 105-129.36.

17 (11) State Historic Preservation Officer. – Defined in G.S. 105-129.36."

18 **SECTION 28.4.(b)** G.S. 105-129.71(a) reads as rewritten:

19 "(a) Credit. – A taxpayer who is allowed a credit under section 47 of the Code for
20 making qualified rehabilitation expenditures of at least three million dollars
21 (\$3,000,000) with respect to a certified rehabilitation of an eligible site is allowed a
22 credit equal to a percentage of the expenditures that qualify for the federal credit. The
23 credit may be claimed in the year in which the eligible site is placed into service. When
24 the eligible site is placed into service in two or more phases in different years, the
25 amount of credit that may be claimed in a year is the amount based on the qualified
26 rehabilitation expenditures associated with the phase placed into service during that
27 year. In order to be eligible for a credit allowed by this Article, the taxpayer must
28 provide to the Secretary a copy of the eligibility certification and the cost certification.
29 The amount of the credit is as follows:

30 (1) For an eligible site located in a development tier one or two area,
31 determined as of the date of the eligibility certification, the amount of
32 the credit is equal to forty percent (40%) of the qualified rehabilitation
33 expenditures.

34 (2) For an eligible site located in a development tier three area, determined
35 as of the date of the eligibility certification, the amount of the credit is
36 equal to thirty percent (30%) of the qualified rehabilitation
37 expenditures."

38 **SECTION 28.4.(c)** G.S. 105-129.72(a) reads as rewritten:

39 "(a) Credit. – A taxpayer who is not allowed a federal income tax credit under
40 section 47 of the Code and who makes rehabilitation expenses of at least three million
41 dollars (\$3,000,000) with respect to a certified rehabilitation of an eligible site is
42 allowed a credit equal to a percentage of the rehabilitation expenses. The entire credit
43 may not be taken for the taxable year in which the property is placed in service, but
44 must be taken in five equal installments beginning with the taxable year in which the

1 property is placed in service. When the eligible site is placed into service in two or more
2 phases in different years, the amount of credit that may be claimed in a year is the
3 amount based on the rehabilitation expenses associated with the phase placed into
4 service during that year. In order to be eligible for a credit allowed by this Article, the
5 taxpayer must provide to the Secretary a copy of the eligibility certification and the cost
6 certification. For an eligible site located in a development tier one or two area,
7 determined as of the date of the eligibility certification, the amount of the credit is equal
8 to forty percent (40%) of the rehabilitation expenses. No credit is allowed for a site
9 located in a development tier three area."

10 **SECTION 28.4.(d)** G.S. 105-129.75 reads as rewritten:

11 "**§ 105-129.75. Sunset.**

12 This Article expires January 1, 2011, for rehabilitation projects for which an
13 application for an eligibility certification is submitted on or after that date.~~for qualified~~
14 ~~rehabilitation expenditures and rehabilitation expenses incurred on or after January 1,~~
15 ~~2011."~~

16 **SECTION 28.4.(e)** This section is effective for taxable years beginning on
17 or after January 1, 2008.

18 **EXTEND SUNSET FOR STATE PORTS TAX CREDIT**

19 **SECTION 28.5.(a)** G.S. 105-130.41(d) reads as rewritten:

20 "(d) Sunset. – This section is repealed effective for taxable years beginning on or
21 after January 1, ~~2009-2014.~~"

22 **SECTION 28.5.(b)** G.S. 105-151.22(d) reads as rewritten:

23 "(d) Sunset. – This section is repealed effective for taxable years beginning on or
24 after January 1, ~~2009-2014.~~"

25 **SECTION 28.5.(c)** This section is effective when it becomes law.

26 **EXEMPT DISASTER ASSISTANCE DEBIT SALES**

27 **SECTION 28.6.(a)** G.S. 105-164.13 is amended by adding a new
28 subdivision to read:

29 "(58) Tangible personal property purchased with a client assistance debit
30 card issued for disaster assistance relief by a State agency or a federal
31 agency or instrumentality."

32 **SECTION 28.6.(b)** This section becomes effective July 1, 2008, and applies
33 to purchases made on or after that date.

34 **CLOSE FRANCHISE TAX LOOPHOLES BY REQUIRING A LIMITED** 35 **LIABILITY COMPANY THAT ELECTS TO BE TREATED AS A** 36 **CORPORATION AND A CAPTIVE REIT TO PAY FRANCHISE TAX**

37 **SECTION 28.7.(a)** G.S. 105-114(b) reads as rewritten:

38 "(b) Definitions. – The following definitions apply in this Article:

39 ...

40 (2) Corporation. – A domestic corporation, a foreign corporation, an
41 electric membership corporation organized under Chapter 117 of the
42

1 General Statutes or doing business in this State, or an association that
2 is organized for pecuniary gain, has capital stock represented by
3 shares, whether with or without par value, and has privileges not
4 possessed by individuals or partnerships. The term includes a mutual
5 or capital stock savings and loan association or building and loan
6 association chartered under the laws of any state or of the United
7 States. The term includes a limited liability company that elects to be
8 taxed as a ~~C-Corporation~~ corporation under the Code, but does not
9 otherwise include a limited liability company.

10"

11 **SECTION 28.7.(b)** G.S. 105-114.1(a)(5) reads as rewritten:

12 "(5) Noncorporate limited liability company. – A limited liability company
13 that does not elect to be taxed as a ~~C-Corporation~~ corporation under the
14 Code."

15 **SECTION 28.7.(c)** G.S. 105-125(b) reads as rewritten:

16 "(b) Certain Investment Companies. —~~A corporation doing business in North~~
17 ~~Carolina that qualifies as a "regulated investment company" under section 851 of the~~
18 ~~Code or as a "real estate investment trust" under section 856 of the Code and elects for~~
19 ~~federal income tax purposes to be treated as a "regulated investment company" or as a~~
20 ~~"real estate investment trust,"~~ A corporation doing business in North Carolina that meets
21 one or more of the following conditions may, in determining its basis for franchise tax,
22 deduct the aggregate market value of its investments in the stocks, bonds, debentures, or
23 other securities or evidences of debt of other corporations, partnerships, individuals,
24 municipalities, governmental agencies, or ~~governments.~~ governments:

- 25 (1) A regulated investment company. – A regulated investment company
26 is an entity that qualifies as a regulated investment company under
27 section 851 of the Code.
28 (2) A REIT, unless the REIT is a captive REIT. – The terms 'REIT' and
29 'captive REIT' have the same meanings as defined in
30 G.S. 105-130.12."

31 **SECTION 28.7.(d)** This section is effective for taxable years beginning on
32 or after January 1, 2009.

33 34 **PUBLICLY TRADED PARTNERSHIPS**

35 **SECTION 28.8.(a)** G.S. 105-154 reads as rewritten:

36 "**§ 105-154. Information at the source returns.**

37 (a) Repealed by Session Laws 1993, c. 354, s. 14.

38 (b) Information Returns of Payers. – A person who is a resident of this State, has
39 a place of business in this State, or has an employee, an agent, or another representative
40 in any capacity in this State shall file an information return as required by the Secretary
41 if the person directly or indirectly pays or controls the payment of any income to any
42 taxpayer. The return shall contain all information required by the Secretary. The filing
43 of any return in compliance with this section by a foreign corporation is not evidence
44 that the corporation is doing business in this State.

1 (c) Information Returns of Partnerships. – A partnership doing business in this
2 State and required to file a return under the Code shall file an information return with
3 the Secretary. A partnership that the Secretary believes to be doing business in this State
4 and to be required to file a return under the Code shall file an information return when
5 requested to do so by the Secretary. The information return shall contain all information
6 required by the Secretary. It shall state specifically the items of the partnership's gross
7 income, the deductions allowed under the Code, and the adjustments required by this
8 Part. The information return shall also include the name and address of each person who
9 would be entitled to share in the partnership's net income, if distributable, and the
10 amount each person's distributive share would be. The information return shall specify
11 the part of each person's distributive share of the net income that represents corporation
12 dividends. The information return shall be signed by one of the partners under
13 affirmation in the form required by the Secretary.

14 A partnership that files an information return under this subsection shall furnish to
15 each person who would be entitled to share in the partnership's net income, if
16 distributable, any information necessary for that person to properly file a State income
17 tax return. The information shall be in the form prescribed by the Secretary and must be
18 furnished on or before the due date of the information return.

19 (d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business
20 conducted in this State is owned by a nonresident individual or by a partnership having
21 one or more nonresident members, the manager of the business shall report the earnings
22 of the business in this State, the distributive share of the income of each nonresident
23 owner or partner, and any other information required by the Secretary. The manager of
24 the business shall pay with the return the tax on each nonresident owner or partner's
25 share of the income computed at the rate levied on individuals under
26 G.S. 105-134.2(a)(3). The business may deduct the payment for each nonresident owner
27 or partner from the owner or partner's distributive share of the profits of the business in
28 this State. If the nonresident partner is not an individual and the partner has executed an
29 affirmation that the partner will pay the tax with its corporate, partnership, trust, or
30 estate income tax return, the manager of the business is not required to pay the tax on
31 the partner's share. In this case, the manager shall include a copy of the affirmation with
32 the report required by this subsection.

33 (e) Publicly Traded Partnership. – The information return and payment
34 requirements under this section are modified as follows for a publicly traded partnership
35 that is described in section 7704(c) of the Code:

- 36 (1) The information return required under subsection (c) of this section is
37 limited to partners whose distributive share of the partnership's net
38 income during the tax year was more than five hundred dollars
39 (\$500.00).
40 (2) The payment requirements under subsection (d) of this section do not
41 apply."

42 **SECTION 28.8.(b)** This section is effective for taxable years beginning on
43 or after January 1, 2008.
44

1 INCREASE EARNED INCOME TAX CREDIT TO FIVE PERCENT

2 **SECTION 28.9.(a)** G.S. 105-151.31(a) reads as rewritten:

3 "(a) Credit. – An individual who claims for the taxable year an earned income tax
4 credit under section 32 of the Code is allowed a credit against the tax imposed by this
5 Part equal to ~~three and one-half percent (3.5%)~~ five percent (5%) of the amount of credit
6 the individual qualified for under section 32 of the Code. A nonresident or part-year
7 resident who claims the credit allowed by this section must reduce the amount of the
8 credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c), as
9 appropriate."

10 **SECTION 28.9.(b)** This section is effective for taxable years beginning on
11 or after January 1, 2008.

12
13 INCREASE THE CREDIT FOR SMALL BUSINESS EMPLOYEE HEALTH
14 BENEFITS AND EXTEND THE SUNSET

15 **SECTION 28.10.(a)** G.S. 105-129.16E reads as rewritten:

16 "**§ 105-129.16E. Credit for small business employee health benefits.**

17 (a) Credit. – A small business that provides health benefits for all of its eligible
18 employees during the taxable year is allowed a credit to offset its costs in providing
19 health benefits for its eligible employees. For the purposes of this subsection, a taxpayer
20 provides health benefits if it pays at least fifty percent (50%) of the premiums for health
21 care coverage that equals or exceeds the minimum provisions of the basic health care
22 plan of coverage recommended by the Small Employer Carrier Committee pursuant to
23 G.S. 58-50-125 or if its employees have qualifying existing coverage.

24 The credit is equal to a dollar amount per eligible employee whose total wages or
25 salary received from the business does not exceed forty thousand dollars (\$40,000) on
26 an annual basis. The dollar amount is ~~two hundred fifty dollars (\$250.00)~~, three hundred
27 dollars (\$300.00), not to exceed the taxpayer's costs of providing health benefits for the
28 employee during the taxable year.

29 (b) Allocation. – If the taxpayer is an individual who is a nonresident or a
30 part-year resident, the taxpayer must reduce the amount of the credit by multiplying it
31 by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. If the taxpayer
32 is not an individual and is required to apportion its multistate business income to this
33 State, the taxpayer must reduce the amount of the credit by multiplying it by the
34 apportionment fraction used to apportion its apportionable income to this State.

35 (c) Definitions. – The following definitions apply in this section:

36 (1) Eligible employee. – Defined in G.S. 58-50-110.

37 (2) Qualifying existing coverage. – Defined in G.S. 58-50-130(a)(4a).

38 (3) Small business. – A taxpayer that employs no more than 25 eligible
39 employees throughout the taxable year.

40 (d) Sunset. – This section expires for taxable years beginning on or after January
41 1, ~~2009~~ 2014."

42 **SECTION 28.10.(b)** This section is effective for taxable years beginning on
43 or after January 1, 2009.

1 **PROVIDE A PROPERTY TAX EXCLUSION FOR HONORABLY**
2 **DISCHARGED DISABLED VETERANS AND THEIR SURVIVING**
3 **SPOUSES AND TO REIMBURSE LOCAL GOVERNMENTS FOR THE**
4 **RESULTING REVENUE LOSS**

5 **SECTION 28.11.(a)** G.S. 105-275(21) is repealed.

6 **SECTION 28.11.(b)** Article 12 of Chapter 105 of the General Statutes is
7 amended by adding a new section to read:

8 **"§ 105-277.1C. Property tax homestead exclusion for disabled veterans and for**
9 **surviving spouses of disabled veterans; election of benefit; application.**

10 (a) Exclusion. – A permanent residence owned and occupied by a qualifying
11 owner is designated a special class of property under Article V, Section 2(2) of the
12 North Carolina Constitution and is taxable in accordance with this section. The amount
13 of the appraised value of the residence equal to the exclusion amount is excluded from
14 taxation. The exclusion amount is the greater of forty-eight thousand dollars (\$48,000)
15 or fifty percent (50%) of the appraised value of the residence, not to exceed fifty percent
16 (50%) of the maximum amount of a conventional mortgage authorized under 12 U.S.C.
17 § 1717(b)(2).

18 If the qualifying owner predeceases his or her spouse and if, upon the death of the
19 qualifying owner, the spouse holds legal or beneficial title to the homestead and
20 permanently resides on the homestead, the exclusion from taxation provided by this
21 section carries over to the benefit of the surviving spouse until he or she remarries. If
22 the spouse sells the property, an exclusion not to exceed the amount granted from the
23 most recent ad valorem tax roll may be transferred to his or her new residence, as long
24 as it is used as his or her primary residence and he or she does not remarry. The
25 exclusion amount for newly acquired property is subject to the valuation limitations in
26 the preceding paragraph of this subsection.

27 (1) Temporary absence. – An otherwise qualifying owner does not lose the
28 benefit of this exclusion because of a temporary absence from his or
29 her permanent residence for reasons of health or because of an
30 extended absence while confined to a rest home or nursing home, so
31 long as the residence is unoccupied or occupied by the owner's spouse
32 or other dependent.

33 (2) Multiple ownership. – A permanent residence owned and occupied by
34 husband and wife as tenants by the entirety is entitled to the full
35 benefit of this exclusion notwithstanding that only one of them meets
36 the disability requirements of this section. When a permanent
37 residence is owned and occupied by two or more persons other than
38 husband and wife and one or more of the owners qualifies for this
39 exclusion, each qualifying owner is entitled to the full amount of the
40 exclusion not to exceed his or her proportionate share of the valuation
41 of the property. No part of an exclusion available to one co-owner may
42 be claimed by any other co-owner, and in no event may the total
43 exclusion allowed for a permanent residence exceed the exclusion
44 amount provided in this section.

- 1 (b) Definitions. – The following definitions apply in this section:
- 2 (1) Owner. – A person who holds legal or equitable title, whether
- 3 individually, as a tenant by the entirety, a joint tenant, or a tenant in
- 4 common, or as the holder of a life estate or an estate for the life of
- 5 another. A manufactured home jointly owned by husband and wife is
- 6 considered property held by the entirety.
- 7 (2) Permanent residence. – A person's legal residence. It includes the
- 8 dwelling, the dwelling site, not to exceed one acre, and related
- 9 improvements. The dwelling may be a single-family residence, a unit
- 10 in a multifamily residential complex, or a manufactured home.
- 11 (3) Qualifying owner. – An owner who is an honorably discharged veteran
- 12 of any branch of the Armed Forces of the United States who, as of
- 13 January 1 preceding the taxable year for which the exclusion is
- 14 claimed, is a North Carolina resident and who meets either one of the
- 15 following criteria:
- 16 a. Has been certified by the United States Government or the
- 17 United States Department of Veterans Affairs, or its
- 18 predecessor, with a permanent total disability that is
- 19 service-connected.
- 20 b. Receives benefits under 38 U.S.C. § 2101.
- 21 (c) Election. – An owner who qualifies for more than one form of property tax
- 22 relief under this section, G.S. 105-277.1, and G.S. 105-277.1B may elect to receive only
- 23 one of these forms of relief.
- 24 (d) Application. –
- 25 (1) Time for filing. – An application for the exclusion provided by this
- 26 section should be filed during the regular listing period, but may be
- 27 filed and must be accepted at any time up to and through June 1
- 28 preceding the tax year for which the exclusion is claimed.
- 29 (2) Separate applications for multiple ownership. – When property is
- 30 owned by two or more persons other than husband and wife and one or
- 31 more of them qualifies for this exclusion, each owner must apply
- 32 separately for his or her proportionate share of the exclusion.
- 33 (3) Proof of disability or receipt of federal housing assistance. – Persons
- 34 applying for this exclusion shall (i) enter the appropriate information
- 35 on a form made available by the assessor under G.S. 105-282.1 and (ii)
- 36 furnish acceptable proof of qualification. The proof must be in the
- 37 form of a letter or other document from the United States Government
- 38 or the United States Department of Veterans Affairs certifying that the
- 39 applicant is an honorably discharged veteran who either has a
- 40 service-connected total and permanent disability or who is receiving
- 41 benefits under 38 U.S.C. § 2101."

42 **SECTION 28.11.(c)** Article 12 of Chapter 105 of the General Statutes is

43 amended by adding a new section to read:

1 **"§ 105-277.1D. Property classified for taxation at reduced valuation; duties of tax**
2 **collectors; reimbursement of localities for tax lost.**

3 (a) Tax Collectors to Furnish List of Qualifying Taxpayers. – On December 1 of
4 each year, the tax collector of each county and the tax collector of each municipality
5 shall furnish to the Secretary of Revenue a list containing the name and address of each
6 taxpayer who has qualified in that year for the exclusion provided in G.S. 105-277.1C.
7 The list shall also contain for each name the total amount of property excluded, the tax
8 rate to which the property is subject, and the product obtained by multiplying those two
9 numbers by each other. The lists shall be accompanied by an affidavit attesting to the
10 accuracy of the list and shall all be on a form prescribed by the Secretary of Revenue.

11 (b) Extension. – The Secretary of Revenue may, for cause, grant an extension for
12 the submission of a list required by this section.

13 (c) Reimbursement to Counties and Municipalities. – Before May 31, 2009, the
14 Secretary of Revenue shall distribute to each county and municipality with taxpayers
15 who qualified for the exclusion provided in G.S. 105-277.1C one hundred percent
16 (100%) of the total lost revenue. The lost revenue is determined by multiplying the tax
17 exclusion for each taxpayer on the list in subsection (a) of this section by the applicable
18 tax rate. Each year thereafter, on or before May 31, the Secretary of Revenue shall pay
19 the lost revenue to each county and municipality that was entitled to receive a
20 distribution under this subsection in 2009.

21 (d) Funds Collected for Other Units of Local Government. – Any funds received
22 by any county or municipality under this section because the county or municipality was
23 collecting taxes for another municipality shall be credited to the funds of that other
24 municipality in accordance with rules issued by the Local Government Commission.

25 (e) Funding for Reimbursement. – In order to pay for the reimbursement under
26 this section, there is annually appropriated to each county and municipality with
27 taxpayers who qualified for the exclusion provided in G.S. 105-277.1C an amount equal
28 to the reimbursement amount. In order to pay for the cost to the Department of Revenue
29 of administering reimbursement, there is annually appropriated to the Department of
30 Revenue the cost of administration."

31 **SECTION 28.11.(d)** G.S. 105-282.1(a)(2)c. reads as rewritten:

32 "c. Special classes of property classified for taxation at a reduced
33 valuation under G.S. 105-277(h), 105-277.1, 105-277.1C,
34 105-277.10, 105-277.13, 105-278."

35 **SECTION 28.11.(e)** This section is effective for taxes imposed for taxable
36 years beginning on or after July 1, 2008. Notwithstanding the provisions of
37 G.S. 105-282.1(a), an application for the benefit provided in this act for the 2008-2009
38 tax year shall be considered timely if it is filed on or before September 1, 2008.

39
40 **SALES TAX HOLIDAY FOR CERTAIN ENERGY STAR RATED**
41 **APPLIANCES**

42 **SECTION 28.12.(a)** G.S. 105-164.3 is amended by adding a new
43 subdivision to read:

44 **"§ 105-164.3. Definitions.**

1 The following definitions apply in this Article:

2 ...

3 (8g) Energy Star qualified product. – Defined in the Streamlined
4 Agreement."

5 **SECTION 28.12.(b)** Article 5 of Chapter 105 of the General Statutes is
6 amended by adding a new section to read:

7 **"§ 105-164.13D. Sales and use tax holiday for Energy Star qualified products.**

8 (a) The taxes imposed by this Article do not apply to the Energy Star qualified
9 products listed in this section if sold between 12:01 A.M. on the first Friday of
10 November and 11:59 P.M. the following Sunday. The qualified products are:

11 (1) Clothes washers, dishwashers, freezers, or refrigerators.

12 (2) Room air conditioners, dehumidifiers, or programmable thermostats.

13 (3) Compact fluorescent light bulbs.

14 (b) The exemption allowed by this section does not apply to the following:

15 (1) Sales of a product for use in a trade or business.

16 (2) Rentals."

17 **SECTION 28.12.(c)** G.S. 105-467 reads as rewritten:

18 **"§ 105-467. Scope of sales tax.**

19 ...

20 (b) Exemptions and Refunds. – The State exemptions and exclusions contained
21 in G.S. 105-164.13, the State sales and use tax ~~holiday~~holidays contained in
22 G.S. 105-164.13C and G.S. 105-164.13D, and the State refund provisions contained in
23 G.S. 105-164.14 apply to the local sales and use tax authorized to be levied and imposed
24 under this Article. Except as provided in this subsection, a taxing county may not allow
25 an exemption, exclusion, or refund that is not allowed under the State sales and use tax.
26 A local school administrative unit and a joint agency created by interlocal agreement
27 among local school administrative units pursuant to G.S. 160A-462 to jointly purchase
28 food service-related materials, supplies, and equipment on their behalf is allowed an
29 annual refund of sales and use taxes paid by it under this Article on direct purchases of
30 tangible personal property and services, other than electricity, telecommunications
31 service, and ancillary service. Sales and use tax liability indirectly incurred by the entity
32 on building materials, supplies, fixtures, and equipment that become a part of or
33 annexed to any building or structure that is owned or leased by the entity and is being
34 erected, altered, or repaired for use by the entity is considered a sales or use tax liability
35 incurred on direct purchases by the entity for the purpose of this subsection. A request
36 for a refund shall be in writing and shall include any information and documentation
37 required by the Secretary. A request for a refund is due within six months after the end
38 of the entity's fiscal year. Refunds applied for more than three years after the due date
39 are barred.

40 (c) Sourcing. – The local sales tax authorized to be imposed and levied under this
41 Article applies to taxable transactions by retailers whose place of business is located
42 within the taxing county. The sourcing principles in G.S. 105-164.4B apply in
43 determining whether the local sales tax applies to a transaction."

1 **SECTION 28.12.(d)** The second paragraph of Section 4 of Chapter 1096 of
2 the 1967 Session Laws reads as rewritten:

3 "The exemptions and exclusions contained in G.S. 105-164.13 and the sales and use
4 tax ~~holiday~~ holidays contained in G.S. 105-164.13C and G.S. 105-164.13D apply with
5 equal force and like manner to the local sales tax authorized to be imposed and levied
6 under this division. The county shall have no authority, with respect to the local sales
7 and use tax imposed under this division, to change, alter, add, or delete any exemptions
8 or exclusions contained under G.S. 105-164.13."

9 **SECTION 28.12.(e)** This section is effective when it becomes law and
10 applies to sales made on or after that date.

11 12 **SET INSURANCE REGULATORY FEE**

13 **SECTION 28.13.(a)** The percentage rate to be used in calculating the
14 insurance regulatory charge under G.S. 58-6-25 is five and one-half percent (5.5%) for
15 the 2008 calendar year.

16 **SECTION 28.13.(b)** This section is effective when it becomes law.

17 18 **SET REGULATORY FEE FOR UTILITIES COMMISSION**

19 **SECTION 28.14.(a)** The percentage rate to be used in calculating the public
20 utility regulatory fee under G.S. 62-302(b)(2) is twelve one-hundredths of one percent
21 (0.12%) for each public utility's North Carolina jurisdictional revenues earned during
22 each quarter that begins on or after July 1, 2008.

23 **SECTION 28.14.(b)** The electric membership corporation regulatory fee
24 imposed under G.S. 62-302(b1) for the 2008-2009 fiscal year is two hundred thousand
25 dollars (\$200,000).

26 **SECTION 28.14.(c)** This section becomes effective July 1, 2008.

27 28 **PART XXIX. FEES**

29 30 **FEE INCREASE FOR DOMESTIC VIOLENCE PROGRAMS**

31 **SECTION 29.1.(a)** G.S. 161-11.2 reads as rewritten:

32 "**§ 161-11.2. Fees for domestic violence centers.**

33 ~~Twenty dollars (\$20.00)~~ Thirty dollars (\$30.00) of each fee collected by a register of
34 deeds for issuance of a marriage license pursuant to G.S. 161-10(a)(2) shall be
35 forwarded by the register of deeds to the county finance officer, who shall forward the
36 funds to the Department of Administration to be credited to the Domestic Violence
37 Center Fund established under G.S. 50B-9. The register of deeds shall forward the fees
38 to the county finance officer as soon as practical. The county finance officer shall
39 forward the fees to the Department of Administration within 60 days after receiving the
40 fees. The Register of Deeds shall inform the applicants that ~~twenty dollars~~
41 ~~(\$20.00)~~ thirty dollars (\$30.00) of the fee for a marriage license shall be used for
42 Domestic Violence programs."

43 **SECTION 29.1.(b)** G.S. 161-10(a)(2) reads as rewritten:

44 "**§ 161-10. Uniform fees of registers of deeds.**

1 (a) Except as provided in G.S. 161-11.1 or 161-11.2, all fees collected under this
2 section shall be deposited into the county general fund. While performing the duties of
3 the office, the register of deeds shall collect the following fees which shall be uniform
4 throughout the State:

5 ...

6 (2) Marriage Licenses. – For issuing a license ~~fifty dollars (\$50.00);~~sixty
7 dollars (\$60.00); for issuing a delayed certificate with one certified
8 copy twenty dollars (\$20.00); and for a proceeding for correction of an
9 application, license or certificate, with one certified copy ten dollars
10 (\$10.00)."

11 **SECTION 29.1.(c)** G.S. 7A-305(a2) reads as rewritten:

12 "(a2) In every action for absolute divorce filed in the district court, a cost of
13 ~~fifty five dollars (\$55.00)~~sixty-five dollars (\$65.00) shall be assessed against the person
14 filing the divorce action. Costs collected by the clerk pursuant to this subsection shall be
15 remitted to the State ~~Treasurer for~~Treasurer, who shall deposit fifty-five dollars (\$55.00)
16 to the North Carolina Fund for Displaced Homemakers established under
17 ~~G.S. 143B-394.10.~~G.S. 143B-394.10 and ~~ten dollars (\$10.00) to the Domestic Violence~~
18 Center Fund established under G.S. 50B-9. Costs assessed under this subsection shall be
19 in addition to any other costs assessed under this section."

20 **SECTION 29.1.(d)** This section becomes effective July 1, 2008.

21
22 **FOREST DEVELOPMENT FUND/FOREST PRODUCTS ASSESSMENT**
23 **RATES**

24 **SECTION 29.2.(a)** G.S. 113A-192(c) through G.S. 113A-192(e) are
25 repealed.

26 **SECTION 29.2.(b)** G.S. 113A-194(b) reads as rewritten:

27 "(b) The assessment levied on primary forest products shall be at the following
28 rates:

- 29 (1) ~~Fifty cents (50¢)~~Seventy-five cents (75¢) per thousand board feet for
30 softwood sawtimber, veneer logs and bolts, and all other softwood
31 products normally measured in board feet;
- 32 (2) ~~Forty cents (40¢)~~Sixty cents (60¢) per thousand board feet for
33 hardwood and bald cypress sawtimber, veneer, and all other hardwood
34 and bald cypress products normally measured in board feet;
- 35 (3) ~~Twenty cents (20¢)~~Thirty cents (30¢) per cord for softwood pulpwood
36 and other softwood products normally measured in cords;
- 37 (4) ~~Twelve cents (12¢)~~Eighteen cents (18¢) per cord for hardwood
38 pulpwood and other hardwood and bald cypress products normally
39 measured in cords;
- 40 (5) All material harvested within North Carolina for shipment outside the
41 State for primary processing will be assessed at a percentage of the
42 invoice value. This percentage will be established to yield rates equal
43 to those if the material were processed within the State."

44 **SECTION 29.2.(c)** This section becomes effective July 1, 2008.

ADJUST SECURITIES FILING FEES

SECTION 29.3.(a) G.S. 78A-31(a)(4) reads as rewritten:

"§ 78A-31. Notice filings for securities covered under federal law.

(a) The Administrator, by rule or order, may require the filing of any of the following documents with regard to a security covered under section 18(b)(2) of the Securities Act of 1933 (15 U.S.C. § 77r(b)(2)):

...

(4) A notice filing pursuant to this section shall expire on December 31 of each year or some other date not more than one year from its effective date as the Administrator may by rule or order provide. A notice filing of the offer of securities covered under federal law that are to be offered for a period in excess of one year shall be renewed annually by payment of a renewal fee of ~~two hundred fifty dollars (\$250.00)~~ one thousand dollars (\$1,000) and by filing any documents and reports that the Administrator may by rule or order require consistent with this section. The renewal shall be effective upon the expiration of the prior notice period.

...."

SECTION 29.3.(b) This section becomes effective July 1, 2008.

NEWBORN SCREENING FEE CHANGES

SECTION 29.4.(a) G.S. 130A-125(c) reads as rewritten:

"(c) A fee of ~~fourteen dollars (\$14.00)~~eighteen dollars and ninety-one cents (\$18.91) applies to a laboratory test performed by the State ~~Public Health~~ Public Health Laboratory of Public Health performed pursuant to this section. Fees collected shall remain in the Department to be used to offset the cost of the Newborn Screening ~~Program~~Program and shall be assessed for all specimens of the non-Medicaid eligible population. The Director of the State Laboratory of Public Health shall review the fee annually, and each time a new test is added to the Newborn Screening Program, to determine if an increase is necessary to cover the laboratory's newborn screening costs. If the actual cost to perform newborn screening exceeds the amount of the fee authorized under this section, then the Department shall recommend an increase in the fee for consideration by the Director of the Budget and the General Assembly."

SECTION 29.4.(b) The Department of Health and Human Services, Division of Public Health, may use one dollar and forty-six cents (\$1.46) of the fee authorized under G.S. 130A-125(c), as enacted by this section, to support two positions in the Division of Public Health. One position shall be for working with families who have an infant that has tested positive for cystic fibrosis, and one shall be used for health promotion and public awareness.

SECTION 29.4.(c) This section becomes effective July 1, 2008.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES

SECTION 29.5.(a) G.S. 131E-267 reads as rewritten:

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

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

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

Over	Up To	Project Fee
0	5,000	\$750.00 plus \$0.25 per square foot
5,000	10,000	\$1,500 plus \$0.40 per square foot
10,000	20,000	\$2,000 plus \$0.50 per square foot
20,000	NA	\$3,000 plus \$0.75 per square foot
<u>0</u>	<u>5,000</u>	<u>\$1,500</u> plus \$0.25 per square foot
<u>5,000</u>	<u>10,000</u>	<u>\$3,000</u> plus \$0.25 per square foot
<u>10,000</u>	<u>20,000</u>	<u>\$4,500</u> plus \$0.45 per square foot
<u>20,000</u>	<u>NA</u>	<u>\$6,000</u> plus \$0.45 per square foot

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

Over	Up To	Project Fee
0	2,000	\$250.00 plus \$0.15 per square foot
2,000	NA	\$250.00 plus \$0.16 per square foot
<u>2,000</u>	<u>NA</u>	<u>\$500.00</u> plus \$0.25 per square foot

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

Over	Up To	Project Fee
0	2,000	\$200.00 plus \$0.15 per square foot
2,000	NA	\$250.00 plus \$0.20 per square foot
<u>2,000</u>	<u>NA</u>	<u>\$400.00</u> plus \$0.25 per square foot

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

Over	Up To	Project Fee
0	5,000	\$200.00 plus \$0.16 per square foot
5,000	10,000	\$200.00 plus \$0.25 per square foot
10,000	20,000	\$300.00 plus \$0.45 per square foot
20,000	NA	\$400.00 plus \$0.45 per square foot
<u>0</u>	<u>5,000</u>	<u>\$750.00</u> plus \$0.25 per square foot
<u>5,000</u>	<u>10,000</u>	<u>\$1,500.00</u> plus \$0.25 per square foot
<u>10,000</u>	<u>20,000</u>	<u>\$2,250.00</u> plus \$0.45 per square foot

1 20,000 NA \$3,000.00 plus \$0.45 per square foot
 2 (f) The fee imposed for the review of an adult care home construction project
 3 varies depending upon the square footage of the project:

Over	Up To	Project Fee
5 0	2,000	\$175.00 plus \$0.10 per square foot
6 <u>2,000</u>	<u>NA</u>	\$175.00 plus \$0.20 per square foot
7 <u>2,000</u>	<u>NA</u>	<u>\$350.00 plus \$0.20 per square foot</u>

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

Residential Project	Project Fee
11 Family Care Homes	\$200.00 <u>\$225.00</u> flat fee
12 ICFR Group Homes	\$300.00 <u>\$350.00</u> flat fee
13 Group Homes: 1-3 beds	\$100.00 <u>\$125.00</u> flat fee
14 Group Homes: 4-6 beds	\$200.00 <u>\$225.00</u> flat fee
15 Group Homes: 7-9 beds	\$250.00 <u>\$275.00</u> flat fee
16 Other residential:	
17 More than 9 beds	\$250.00 <u>\$275.00</u> plus \$0.75 <u>\$0.15</u> per 18 square foot of project space."

19 **SECTION 29.5.(b)** This section becomes effective July 1, 2008.

21 **CHANGES TO ASBESTOS CONTAINING MATERIAL REMOVAL PERMIT**
 22 **FEES**

23 **SECTION 29.6.(a)** G.S. 130A-450 reads as rewritten:

24 "**§ 130A-450. Asbestos containing material removal permit fees.**

25 The Department shall establish and collect an application fee for asbestos containing
 26 material removal permits to support the asbestos hazard management program. The fee
 27 ~~shall not exceed one~~ shall be the greater of the following, not to exceed five thousand
 28 dollars (\$5,000):

- 29 (1) One percent (1%) of the contracted price or twentyprice.
- 30 (2) Twenty cents (\$0.20) per square foot or linear foot of asbestos
 31 containing material to be removed, whichever is greater removed."

32 **SECTION 29.6.(b)** This section becomes effective July 1, 2008.

34 **FEE FOR FLOODPLAIN MAP USE**

35 **SECTION 29.7.(a)** G.S. 143-215.56 is amended by adding a new subsection
 36 to read:

37 "**(h)** The Department may charge a fee of ten dollars (\$10.00) for each commercial
 38 flood hazard determination performed for improved real estate and mobile homes in
 39 North Carolina. The proceeds of the fee must be credited to a special, nonreverting
 40 account within the Department and used for the production and maintenance of Flood
 41 Insurance Rate Maps. The Department must issue a unique digital flood use stamp to
 42 indicate payment of the fee required by this subsection. A member bank or mortgage
 43 institution for which a commercial flood hazard determination is performed must
 44 acquire a unique flood use stamp each time a Standard Flood Hazard Determination

1 Form is completed. The member bank or mortgage institution must retain a copy of the
2 unique flood use stamp for the same period that the member bank must retain a copy of
3 the Standard Flood Hazard Determination Form under 12 C.F.R. § 208.25(f). For
4 purposes of this subsection, the term 'commercial flood hazard determination' means a
5 flood hazard determination for which all of the following are true:

6 (1) A member bank is required to use the Standard Flood Hazard
7 Determination Form pursuant to 12 C.F.R. § 208.25(f).

8 (2) The entity performing the flood hazard determination is the member
9 bank, mortgage institution, contracted company, or person performing
10 the determination on behalf of the member bank or mortgage
11 institution."

12 **SECTION 29.7.(b)** This section becomes effective January 1, 2009.

13 **PART XXX. MISCELLANEOUS PROVISIONS**

14 **STATE BUDGET ACT APPLIES**

15
16 **SECTION 30.1.** The provisions of the State Budget Act, Chapter 143C of
17 the General Statutes, are reenacted and shall remain in full force and effect and are
18 incorporated in this act by reference.
19

20 **COMMITTEE REPORT**

21 **SECTION 30.2.(a)** The "N.C. House of Representatives Appropriations
22 Committee Report On The Continuation, Expansion, and Capital Budgets", dated June
23 3, 2008, which was distributed in the House of Representatives and used to explain this
24 act, shall indicate action by the General Assembly on this act and shall therefore be used
25 to construe this act, as provided in the State Budget Act, Chapter 143C of the General
26 Statutes, as appropriate, for these purposes shall be considered a part of this act and as
27 such shall be printed as a part of the Session Laws.
28

29 **SECTION 30.2.(b)** The budget enacted by the General Assembly is for the
30 maintenance of the various departments, institutions, and other spending agencies of the
31 State for the 2008-2009 budget as provided in G.S. 143C-3-5. This budget includes the
32 appropriations of State funds as defined in G.S. 143C-1-1(d)(25).

33 The Director of the Budget submitted recommended adjustments to the
34 2008-2009 budget to the General Assembly in May 2008 in the documents "The North
35 Carolina State Budget Recommended Adjustments 2008-2009" and "Governor's
36 Recommended Budget Governmental and Proprietary Funds and Selected Component
37 Units 2008-2009" for the 2008-2009 fiscal year for the various departments, institutions,
38 and other spending agencies of the State.

39 **SECTION 30.2.(c)** The budget enacted by the General Assembly shall also
40 be interpreted in accordance with G.S. 143C-5-5, the special provisions in this act, and
41 other appropriate legislation.

42 In the event that there is a conflict between the line-item budget certified by
43 the Director of the Budget and the budget enacted by the General Assembly, the budget
44 enacted by the General Assembly shall prevail.

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MOST TEXT APPLIES ONLY TO 2007-2009

SECTION 30.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2007-2009 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2007-2009 fiscal biennium.

EFFECT OF HEADINGS

SECTION 30.4. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a part.

SEVERABILITY CLAUSE

SECTION 30.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

EFFECTIVE DATE

SECTION 30.6. Except as otherwise provided, this act becomes effective July 1, 2008