

April 5, 2001

S 1005. CURRENT OPERATIONS APPROPRIATIONS ACT OF 2001. TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

Part I. Current Operations – GENERAL FUND

<u>Department</u>	<u>2001-2002</u>	<u>2002-2003</u>
GENERAL ASSEMBLY	\$ 39,953,848	\$ 39,953,848
JUDICIAL DEPARTMENT	377,356,206	377,356,206
OFFICE OF THE GOVERNOR		
Office of the Governor	5,497,905	5,497,905
Office of State Budget, Planning and Management	5,702,900	5,722,900
Flood Mapping and Surveying	1,211,845	1,211,845
Housing Finance	5,220,000	5,220,000
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION	144,568,423	146,318,423
OFFICE OF THE LIEUTENANT GOVERNOR	676,308	676,308
DEPARTMENT OF SECRETARY OF STATE	8,730,901	8,730,901
DEPARTMENT OF STATE AUDITOR	11,984,518	11,984,518
DEPARTMENT OF STATE TREASURER		
State Treasurer	7,719,007	7,719,007
Special Contributions	12,294,780	12,294,780
DEPARTMENT OF PUBLIC EDUCATION	5,958,233,628	6,310,194,196
DEPARTMENT OF JUSTICE	75,557,337	75,557,337
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES	55,845,276	55,845,276
DEPARTMENT OF LABOR	16,368,178	16,368,178

DEPARTMENT OF INSURANCE		
Insurance	23,362,288	23,362,288
Direct Appropriation	1,500,000	4,500,000
DEPARTMENT OF ADMINISTRATION	61,917,180	61,917,180
OFFICE OF STATE CONTROLLER	11,640,271	11,640,271
DEPARTMENT OF TRANSPORTATION	10,451,882	14,486,443
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	161,778,842	161,778,842
CLEAN WATER MANAGEMENT TRUST FUND	30,000,000	70,000,000
OFFICE OF ADMINISTRATIVE HEARINGS	2,864,088	2,864,088
RULES REVIEW COMMISSION	329,085	329,085
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
DHHS-Central Management and Support	48,106,360	80,171,660
Division of Aging	29,825,449	29,825,449
Division of Child Development	326,213,681	326,213,681

Division of Early Intervention and Education	75,633,148	75,633,148
Division of Services for the Blind and Deaf and Hard of Hearing	10,334,149	10,334,149
Division of Social Services	190,252,330	197,325,624
Division of Medical Assistance	1,971,138,483	2,213,749,436
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	579,477,510	579,477,510
Division of Facility Services	17,334,502	17,334,502
Division of Vocational Rehabilitation Services	41,827,726	41,827,726
Division of Public Health	109,739,919	109,739,919
NC Health Choice	34,975,528	45,908,556
Total DHHS	3,434,858,785	3,727,541,360
DEPARTMENT OF CORRECTION	920,050,075	920,620,289
DEPARTMENT OF COMMERCE		
Commerce	47,352,944	47,352,944
State Aid to Nonstate Entities	16,931,308	16,931,308
DEPARTMENT OF REVENUE	75,812,784	75,812,784
DEPARTMENT OF CULTURAL RESOURCES		
Cultural Resources	60,027,696	60,027,696
Roanoke Island Commission	1,878,245	1,878,245
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY	37,083,513	37,083,513
UNIVERSITY OF NORTH CAROLINA-BOARD OF GOVERNORS		
General Administration	49,707,473	50,702,897
University Institutional Programs	44,567,132	44,567,132
Related Educational Programs	100,411,702	100,411,702
UNC-Chapel Hill		
Academic Affairs	203,797,548	204,307,062
Health Affairs	155,432,746	156,912,962
Area Health Education Centers	45,968,111	45,968,111
NC State University		
Academic Affairs	268,505,282	268,990,234
Agricultural Research Service	47,593,717	47,567,601
Agricultural Extension Service	38,184,585	38,184,585
UNC-Greensboro	94,522,180	94,599,504
UNC-Charlotte	96,481,603	96,952,829
UNC-Asheville	25,659,665	25,815,764
UNC-Wilmington	60,052,512	60,403,894
East Carolina University		
Academic Affairs	121,570,399	122,833,467
Division of Health Affairs	46,430,612	46,430,612
NC Agricultural and Technical State University	60,032,233	60,032,233

Western Carolina University	52,333,202	52,601,461
Appalachian State University	85,813,636	86,076,636
UNC-Pembroke	24,752,283	24,693,596
Winston-Salem State University	28,325,317	28,748,906
Elizabeth City State University	21,784,296	21,784,296
Fayetteville State University	30,978,475	30,978,475
NC Central University	44,740,396	44,740,396
NC School of the Arts	16,569,303	16,842,922
NC School of Science and Mathematics	11,450,501	11,802,687
UNC Hospitals at Chapel Hill	40,052,381	40,052,381
Total UNC	1,815,717,289	1,823,002,344
COMMUNITY COLLEGES SYSTEM	663,330,949	663,330,949
STATE BOARD OF ELECTIONS	3,218,453	3,218,453
CONTINGENCY AND EMERGENCY	1,125,000	1,125,000
RESERVE FOR MOTOR POOL REDUCTION	(1,200,000)	(1,200,000)
RESERVE FOR COMPENSATION INCREASE	184,538,436	184,538,436
RESERVE FOR SALARY ADJUSTMENTS	500,000	500,000
RESERVE FOR SPECIAL APPROPRIATION	3,080,000	3,080,000
RESERVE FOR RETIREMENT RATE ADJUSTMENT	(181,027,500)	(181,027,500)
RESERVE FOR STATE HEALTH PLAN	150,000,000	200,000,000
DEBT SERVICE		
Debt Service	275,120,390	52,266,860
Federal	1,155,948	1,155,948
GRAND TOTAL CURRENT OPERATIONS GENERAL FUND	14,540,319,011	15,368,768,454

Part II. CURRENT OPERATIONS--HIGHWAY FUND		
DEPARTMENT OF TRANSPORTATION		
Administration	69,195,895	69,195,895
Division of Highways		
Administration and Operations	28,801,650	28,801,650
State Construction		
Primary Construction		
Secondary Construction	87,462,000	89,387,000
Urban Construction	14,000,000	14,000,000
Access and Public Service Roads	2,000,000	2,000,000
Discretionary Fund	10,000,000	10,000,000
Spot Safety Improvements	9,100,000	9,100,000
State Funds to Match Federal Highway Aid		
Planning Survey and Highway Planning Research	3,959,649	3,959,649

State Maintenance			
	Primary Construction	135,631,083	133,781,935
	Secondary Construction	243,698,549	239,098,503
	Urban Construction	43,765,075	43,191,298
	Contract Resurfacing	145,529,734	145,529,734
Ferry Operations		19,747,132	19,747,132
Division of Motor Vehicles		101,969,376	108,325,115
	Governor's Highway Safety Program	357,277	357,277
	State Aid to Municipalities	87,462,000	89,387,000
	State Aid for Public Transportation	54,746,921	54,746,921
	Salary Adjustments for Highway Fund Employees	400,000	400,000
	Asphalt plant cleanup	425,000	425,000
	State Aid to Railroads	36,507,088	36,507,088
	Capital Improvements	10,000,000	
	Stormwater Discharge Permit	500,000	500,000
	Minority Contractor Development	150,000	150,000
	DMV Systems Reserve	3,300,000	3,300,000
	State Fire Protection Grant	150,000	150,000
	Reserve for Compensation Increases	8,600,000	8,600,000
	State Employee Health Reserve	3,700,000	3,700,000
	State Health Plan	7,000,000	9,000,000
	Visitor's Centers	175,000	175,000
	Retirement Rate Reduction	(9,155,000)	(9,155,000)
	Airports	5,000,000	
APPROPRIATIONS FOR OTHER STATE AGENCIES			
	Department of Crime Control and Public Safety	133,687,067	135,875,855
	Department of Agriculture and Consumer Services	3,697,157	3,615,136
	Department of Revenue	4,038,525	4,038,525
	Department of Environment and Natural Resources-- LUST Trust Fund	5,144,318	5,586,339
	Department of Health and Human Services-- Chemical Test Program	437,623	437,623
	Global TransPark	1,211,098	1,259,542
	Department of Public Instruction	31,185,783	31,185,783
	State Treasurer-Sales Tax	14,560,000	15,360,000
GRAND TOTAL CURRENT OPERATIONS--HIGHWAY FUND		1,318,140,000	1,311,720,000
Part III. HIGHWAY TRUST FUND			
	Intrastate System	446,546,841	471,654,615
	Secondary Roads Construction	81,965,608	85,583,142
	Urban Loops	180,564,946	190,717,483
	State Aid--Municipalities	46,853,179	49,487,571

Program Administration	32,792,426	34,831,189
Transfer to General Fund	200,000,000	200,000,000
GRAND TOTAL--HIGHWAY TRUST FUND	988,723,000	1,032,274,000
Part IV. BUDGET REFORM STATEMENTS (in millions)		
Beginning Unrestricted Fund Balance	0.0	0.0
Revenues Existing Tax Structure	13,659.0	14,507.8
Nontax Revenues	433.4	447.7
Transfer from Highway Trust Fund	200.0	200.0
Disproportionate Share Receipts	107.0	106.0
Highway Fund Transfer	14.5	15.3
Additional Resources:		
N.C. Efficiency & Tax Preference Commission	175.0	175.0
Other Measures	34.0	318.0
TOTAL AVAILABILITY	14,622.9	15,769.8

GENERAL PROVISIONS

PUBLIC EDUCATION

Class-size reduction. Appropriates funds to reduce class size (1) in kindergarten to 1:18 in 2001-2002, (2) in grades 1-3 in under-performing schools to 1:18, and (3) in grade 1 to 1:18 in 2002-2003.

Funds for ABCs Program. Directs the State Board of Education to use State Aid to Local School Administrative Units to provide incentive funding for school that met or exceeded projected levels of improvement in student performance, in accordance with the ABCs of Public Education Program. Sets maximum incentive award in schools that achieve higher than expected improvements at \$1,500 for each teacher and for certified personnel and \$500 for each teacher assistant; maximum in schools that meet expected improvements is \$750 for each teacher and teacher assistant and \$375 for each teacher assistant.

Salary schedules. Sets 2001-2002 monthly salary schedules for certified public school employees. Ranges are based on years of experience.

Teachers (certified personnel classified as teachers): "A" teachers: \$2,525 to 4, 538; "A" teachers with NBCTS certification \$3,096 to \$5,082. "M" teachers: \$2,778 to \$4,991; "M" teachers with NBCTS certification \$3,406 to \$5,590. Certified school nurses employed as nurses are paid on "M" salary schedule.

Principals and assistant principals: Assistant Principal \$3,227-\$5,245; principal I \$3,681-\$5,350; principal II \$3,846-\$5,677; principal III \$4,015-\$6,025; principal IV \$4,136-\$6,268; principal V \$4,260-\$6,522; principal VI \$4,456-\$6,921; principal VII \$4,666-\$7,245; principal VIII \$4,811-\$7,491. Also sets out schedule for classification of principals and assistant principals on salary schedule, based on number of teachers supervised; separate classification schedule is set out for principals in alternative schools. Provides for 1% increase based on ABCs standards and local safe school standards; maximum for meeting all conditions is 6%.

School psychologists and speech pathologists. Sets first step of salary schedule for school psychologists at Step 5 on "M" teachers' schedule, provides that speech pathologists certified at the master's degree and employed as speech and language specialists are paid on school psychologist salary schedule.

Central office administrators. Placement on schedule is determined by local board of education. School administrator I \$2,932-\$5,318; administrator II \$3,112-\$5,645; administrator III \$3,303-\$5,990; administrator IV \$3,436-\$6,232; administrator V \$3,574-\$6,485; administrator VI \$3,792-\$6,882; administrator VII \$3,945-\$7,160. Superintendent I \$4,187-\$7,600; superintendent II

\$4,445-\$8,062; superintendent III \$4,716-\$8,557; superintendent IV \$5,005-\$9,079; superintendent V \$5,312-\$9,636.

Salary supplement. Sets salary supplement for certified teachers, principals, assistant principals, school psychologists, speech pathologists and audiologists, and central office administrators with certification based on academic preparation at the six-year degree level of \$126 per month; supplement for teachers with doctoral degree is \$253 per month.

Noncertified employees. Provides salary increase of 2% for all noncertified public school employees, except school bus drivers, whose salaries are supported from the General Fund. Requires local boards of education to adopt 2001-2002 pay rates for increase of school bus driver salaries by at least 2% to the extent such rates of pay are supported by State funds allocated by State Board of Education.

COMMUNITY COLLEGES

Funding flexibility. Allows community colleges to use all state funds allocated to it, except for Literacy Funds and Funds for New and Expanding Industries, for any purpose consistent with college's Institutional Effectiveness Plan.

Transfer of funds. Permits Director of Budget to transfer funds from any agency or program funded from the General Fund to the New and Expanding Industry Training Program to supplement program during 2001-2003 biennium.

Human Resources Development Program. Requires restructuring of Human Resources Development program into the JobLink Training program.

COLLEGES AND UNIVERSITIES

Aid to students attending private colleges procedure. Funds appropriated to UNC Board of Governors must provide up to \$1,100 per full-time equivalent North Carolina undergraduate student enrolled at a private institution as of Oct. 1, 2001, for 2001-2002 and enrolled as of Oct. 1, 2002, for 2002-2003. Funds must be used for scholarship funds for needy North Carolina students. Grants each NC undergraduate student attending an approved private institution a maximum of \$1,800 for 2001-2002 academic year and for 2002-2003 academic year. If funds are insufficient for maximum, then each eligible student receives pro rata share. Prohibits expenditures for certain incarcerated felons, and allows expenditures only for secular educational purposes at nonprofit institutions. Sets limits on Legislative Tuition Grants at off-campus sites of private institutions.

Wake Forest and Duke Medical School Assistance. Sets funding for NC medical students at Wake Forest (\$8,000 to school, \$1,000 must be used for scholarships) and Duke (\$5,000 to school, \$500 must be used for scholarships).

Board of Governors' Medical and Dental Scholarships. Requires scholarship program to make awards to students as scholarship loan awards. Sets interest rate at 10% and sets out conditions for forgiveness of loan.

NC Teacher Assistant Education Degree Program. Creates the NC Teacher Assistant Education Degree Program to provide scholarship loans to NC teacher assistants interested in becoming certified classroom teachers. Set maximum loan at \$2,000 per year or \$3,000 per year depending on enrollment in community college or UNC institution. Sets interest rate at 10% and sets out conditions for forgiveness of loan.

DEPARTMENT OF TRANSPORTATION

Global Transpark Authority to Reimburse Highway Fund from Federal Sources. Provides that if Highway Fund provides funds to Global Transpark Authority for environmental impact statements or assessments and Authority applies for and receives federal reimbursement for those expenses, Authority shall pay over up to \$1.8 million of such reimbursements to Highway Fund within 30 days of receipt.

Aircraft and Ferry Acquisitions. Requires Board of Transportation, before approving purchase of aircraft from Equipment Fund or ferry in Transportation Improvement Program, to prepare estimate of operational and capital costs associated with addition of aircraft or ferry and report such costs to General Assembly pursuant to GS 136-12(b) and to Joint Legislative Comm'n on Governmental Operations.

Highway Fund Allocations by Controller. Directs Controller of DOT, at beginning of each fiscal year, to allocate from following departmental appropriations – State Construction, State Funds to Match Federal Highway Aid, State Maintenance, and Ferry Operations – sufficient funds to eliminate all overdrafts on State maintenance and construction projects; and prohibits diversion of such allocations to other purposes.

Cash Flow Highway Fund and Highway Trust Fund Appropriations. Provides that General Assembly authorizes and certifies anticipated revenues of Highway Fund as follows:

- Fiscal Year 2003-04	\$1,340.3 million
- Fiscal Year 2004-05	\$1,370.7 million
- Fiscal Year 2005-06	\$1,401.4 million
- Fiscal Year 2006-07	\$1,444.1 million

Provides that General Assembly authorizes and certifies anticipated revenues of Highway Trust Fund as follows:

- Fiscal Year 2003-04	\$1,073.8 million
- Fiscal Year 2004-05	\$1,118.2 million
- Fiscal Year 2005-06	\$1,163.9 million
- Fiscal Year 2006-07	\$1,213.7 million

Highway Fund Limitations on Overexpenditures. Permits overexpenditures by authorization of Director of Budget in following appropriations: State Construction Primary Construction, State Construction Urban Construction, Spot Safety Construction, State Construction Access and Public Service Roads, State Funds to Match Federal Highway Aid, State Maintenance, and Ferry Operations, as long as there are corresponding underexpenditures from same titles. Limits overexpenditures or underexpenditures in any titles to 10% without prior consultation with Advisory Budget Comm'n. Provides that overexpenditures for purpose of providing additional positions must be approved by Director of Budget and reported quarterly to Joint Legislative Highway Oversight Committee and to Fiscal Research Division.

Highway Fund Adjustments to Reflect Actual Revenue. Directs following priority of uses of any unreserved credit balance in Highway Fund on June 30 of each fiscal year of biennium: (1) support appropriations in succeeding fiscal year; (2) establish a reserve for access and public roads, a reserve for unforeseen happening of a state of affairs requiring prompt action, and other required reserves; (3) allocate any excess to the state-funded maintenance appropriations in manner approved by Board of Transportation. Directs Board to report monthly to Joint Legislative Highway Oversight Committee and Fiscal Research Division on use of the reserve for highway and maintenance.

Department of Transportation Exemption from General Statutes for Experimental Project-Congestion. Authorizes DOT to enter into design-build-warrant contract to develop, with Federal Highway Administration participation, a Congestion Avoidance and Reduction for Autos and Trucks system of traffic management for greater Charlotte-Mecklenburg urban areas, and exempts DOT and its contractors from license laws and bid laws to extent necessary to comply with federal rules, regulations, and policies. Requires quarterly report from DOT to Joint Legislative Highway Oversight Committee on any such project.

Allocation of Funds for Driver Training. Directs State Board of Education, in allocating funds for driver training, to consider needs of small and low-wealth school administrative units.

Increase in Transfer Amount from Highway Trust Fund to General Fund. Directs that Highway Use Taxes collected at rate of 3% to be credited to Highway Trust Fund, and increases amount of highway use tax to be transferred to General Fund from \$170 million to \$200 million.

Airport Grants. Recommends transferring \$5 million from Highway Fund availability to support airport grants in Fiscal Year 2001-02.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Physician Services. Permits DHHS, with approval of Office of State Budget, to use funds appropriated for across-the-board salary increases and performance pay to offset similar increases in costs of contracting with private and independent universities for provision of physician services to clients in facilities operated by Division of Mental Health, Development Disabilities, and Substance Abuse Services (DMHDDSAS).

Private Agency Uniform Cost Finding Requirement. Permits DMHDDSAS to require private agency providing contracted services to two or more area programs, except for hospital services with established Medicaid rate, to complete agency-wide uniform cost finding; provides that resulting cost shall be maximum included for private agency in contracting area authority's unit cost finding.

Nonsupplanting of Mental Health, Developmental Disabilities, and Substance Abuse Funds. Directs DHHS to ensure that counties do not reduce county appropriations to area authorities because authorities have received additional state appropriations.

Transfers of Certain Funds Authorized. Permits Director of Budget to transfer excess funds appropriated to a specific service, program, or fund, either in block grant plan or General Fund appropriation, into another service, program, or fund for local services within budget of respective state agency; purpose is to assure maximum utilization of funds in county social services departments, county or district health agencies, and area authorities.

Liability Insurance. Permits DHHS and Department of Correction to provide medical liability coverage up to \$1 million on behalf of DHHS employees licensed to practice medicine or dentistry and on behalf of physicians in all residence training programs from UNC in training at institutions operated by DHHS. Provides details of permitted coverage.

Limitation on Use of Special Alzheimer's Units. Provides that Special Alzheimer's Units established in Wilson with funds appropriated in 1995 and in Black Mountain may serve only clients who cannot be served by similar private facility.

Medicaid. Sets out various services and payment bases by which funds appropriated for Medicaid may be expended. Provides that state to pay 85% and counties 15% of nonfederal cost of Medicaid. Sets maximum net family annual income eligibility standards for Medicaid and for Standard of Need of Work First Family Assistance, and provides that payment level for latter is to be 50% of standard of need. Permits change in standards with approval of Director of Budget upon advice of Advisory Budget Comm'n.

Directs DHHS to provide Medicaid coverage to all elderly and disabled people with incomes equal to or less than 100% of federal poverty guidelines. Permits HDDS to provide incentive allowance to Medicaid eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of developmental plan, and sets amounts of incentive allowances.

Regulates dispensing of generic drugs in Medical Assistance Program. Permits various programs to reduce costs in Medicaid program. Sets out schedule by which DHHS will provide coverage to pregnant women and children. Permits DHHS, Division of Medical Assistance, to provide incentives to counties that successfully recover fraudulently spent Medicaid funds.

Disposition of Disproportionate Share Receipt Change. Directs DHHS, Division of Medical Assistance, as it receives funds in fiscal year 2001-02 associated with Disproportionate Share Payments from State hospitals, to deposit up to \$107 million with State Treasurer as nontax revenues; any excess over this amount is to be reserved by Treasurer for future appropriations.

Nonmedicaid Reimbursement. Sets out rules under which DHHS is to reimburse providers of medical services under various state programs other than Medicaid.

Adult Care Homes Reimbursement Rate/Adult Care Homes Allocation of Nonfederal Cost of Medicaid Payments/Staffing Grant. Provides that effective Aug. 1, 1995, state and counties each to pay 50% of nonfederal costs of Medicaid services paid to adult care home facilities; as Medicaid personal care requirements increase, county share to be capped until it equals 15% of nonfederal requirements.

Adoption Subsidy. Sets maximum rates for state participation in adoption assistance program, ranging from \$315 for youngest children to \$415 for teenagers.

Foster Care. Sets maximum rates for state participation in foster care assistance program, ranging from \$315 for youngest children to \$415 for teenagers.

Clarification of Authorized Additional Use of HIV Foster Care and Adoptive Family Funds. Sets maximum rates for state participation in HIV foster care and adoptions assistance.

Senior Center Outreach. Directs DHHS, Division of Aging, to use funds to enhance senior center programs, either to expand outreach capacity of current centers or to provide start-up funds for new centers. Before funds are used for new centers, county commissioners of county in which center will be located must endorse center, agree on sponsoring agency, and commit to use local funds to support center. Limits state funding to 90% of reimbursable costs.

Day Care Allocation Formula. Establishes allocation formula for noncategorical federal and state day care funds, with one-third of budgeted funds to be distributed on each of three bases: county's population, number of children under 6 in county living in families with income below state poverty level, and number of working mothers with children under 6. Directs that county's initial allocation not to be less than that county's total expenditures for child care in fiscal year 1995-96.

Day Care Funds Matching Requirement. Provides that DHHS may not require local matching funds for appropriated State day care funds unless required by federal law.

Child Day Care Revolving Loan Fund. Provides that funds for the Child Day Care Revolving Loan Fund may be transferred to and invested by the financial institution operating the fund.

Child Protective Services. Provides that funds appropriated to DHHS be allocated to county departments based upon a formula that takes into account the number of child protective services cases in the county and the number of workers necessary to meet standards set by the NC Ass'n of County Directors of Social Services. All funds allocated to the county departments shall be used for carrying out investigations of reports of child abuse or neglect or for providing protective or prevention services in cases of abuse, neglect or dependency. Requires that DHHS establish guidelines to ensure allocations to county departments are appropriately used and that Federal Emergency Assistance funds are maximized.

Match Requirement for Medicaid Services. Provides that DHHS will continue to administer the Medicaid matching funds for the public Mental Health Services. Provides that growth in the nonfederal share of Medicaid budget for Mental Health Services be borne equally by the state and local entity until the local share totals 15%.

Eliminate State Employee Report. Repeals GS 108A-27.10(b) as title indicates.

Lease-Purchase of Office and Institutional Facilities. Authorizes the Sec'y of DHHS to enter into contracts with nonprofits designated by the State Treasurer for the construction of office and institutional facilities to be operated pursuant to a lease that contains a schedule for purchase of the facilities. The lease-purchase agreements will include the selling of certificates of participation to fund the construction of new facilities. Sets forth procedure for requesting proposals and requires that any agreement be approved by the Council of State and the State Treasurer. Amounts payable under any lease-purchase agreement are limited to funds specifically appropriated for that purpose. Provides that the lease-purchase agreement and any certificates of participation are free from all taxation.

DEPARTMENT OF CULTURAL RESOURCES

Department of Cultural Resources May Retain Historical Publications Receipts. As title indicates. Dep't may retain funds for 2001-2003 biennium and funds shall be used to reprint publications.

SALARIES AND BENEFITS

Salary Increases/Salary Related Contributions. Allows 2% pay increases to public school employees, community college personnel, and other permanent state employees. Sets state's employer contribution rates for retirement and related benefits.

Governor and Council of State. *Sets salary of Governor at \$120,799 and Council of State members at \$106,613.*

Non-Elected Department Head/Salary Increases. Sets salary at \$104,161 for Sec'y of Administration, Sec'y of Correction, Sec'y of Crime Control and Public Safety, Sec'y of Cultural Resources, Sec'y of Commerce, Sec'y of Environment, Health and Natural Resources, Sec'y of Revenue, and Sec'y of Transportation.

Certain Executive Branch Officials/Salary Increases. Sets following salaries: Chairman, Alcoholic Beverage Control Comm'n at \$94,805; State Controller at \$132,680; Comm'r of Motor Vehicles at \$94,805; Comm'r of Banks at \$106,613; Chairman, Employment Security Comm'n at \$132,511; State Personnel Director at \$104,161; Chairman, Parole Comm'n at \$86,568; Members of the Parole Comm'n at \$79,923; Chairman, Utilities Comm'n at \$118,733; Members of the Utilities Comm'n at \$106,613; Executive Director, Agency for Public Telecommunications at \$79,923; General Manager, Ports Railway Comm'n at \$72,170; Director, Museum of Art at \$97,145; Executive Director, NC Housing Finance Agency at \$117,332; and Executive Director, NC Agricultural Finance Authority at \$92,279.

Judicial Branch Officials/Salary Increase. Sets salary of Chief Justice at \$120,799; Associate Justices of Supreme Court at \$117,643; Chief Judge of Court of Appeals at \$114,701; Judges on Court of Appeals at \$112,741; Senior Resident Superior Court Judges at \$109,678; Superior Court Judges at \$106,613; Chief District Court Judges at \$96,810; District Court Judges at \$93,747; Administrative Officer of the Courts at \$109,678; and Assistant Administrative Officer of the Courts at \$100,180. Provides that average salary for assistant public defenders and assistant district attorneys in each office not exceed \$60,757. Minimum salary for each assistant public defender and assistant district attorney is \$31,018.

Clerk of Superior Court Salary Increases. Sets salaries for Clerks at \$70,672 in counties with population less than \$100,000; \$79,384 in counties with population from 100,000 to 149,999; \$88,096 in counties of 150,00 to 249,000; and at \$96,810 in counties of 250,000 and above.

Assistant and Deputy Clerks of Court/Salary Increases/Eliminate Deputy Clerk Hiring Rate. Sets salary of Assistant Clerks and Head Bookkeepers at minimum \$26,408 and maximum \$46,756 and Deputy Clerks at minimum \$22,379 and maximum \$36,015.

Magistrates' Salary Increases. Sets magistrate salaries as follows: Entry Rate at \$28,367; Step 1 at \$31,213; Step 2 at \$34,312; Step 3 at \$37,692; Step 4 at \$41,394; Step 5 at \$45,464; and Step 6 at \$49,939. Sets formula for determining salary of part-time magistrates. Provides that magistrates licensed to practice law in NC start on level 4. Provides adjustments for magistrates serving before June 30, 1994, when pay steps were created. Requires that AOC provide magistrates same longevity pay as other state employees.

General Assembly Principal Clerks. Sets salary at \$89,435.

Sergeant-At-Arms and Reading Clerks. Sets salary at \$274 per week.

Legislative Employees. Non-elected employees to receive 2% increase.

Community Colleges Personnel/Salary Increases. Provides that Director of Budget shall transfer funds from the Reserve for Compensation Increase to the Community Colleges System Office to provide 2% increase to full-time institutional personnel supported by state funds. Salary funds shall be used to provide 2% increase for full-time and part-time employees.

University of North Carolina System/EPA Salary Increases. Funds from Reserve for Compensation Increase to be used to fund 2% increase.

Most State Employees. Allows 2% cost of living increase.

GENERAL CAPITAL APPROPRIATIONS PROVISIONS.

Capital Appropriations/General Fund. Appropriates \$15,000,000 for fiscal 2001-2002 from General Fund to Dep't of Environment and Natural Resources for Water Resource Projects.

Intro. by Plyler, Odom, Lee.

Ref. to Appropriations	GS 7A, 108A, 120, APPROP
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May 29, 2001

S 1005. CURRENT OPERATIONS APPROPRIATIONS ACT OF 2001. Intro. 4/5/01. Senate committee substitute replaces the bill with the following:

Part I. Introduction and title of act.

Part II. Current Operations and Expansion – GENERAL FUND

	<u>2001-2002</u>	<u>2002-2003</u>
Education		
COMMUNITY COLLEGES SYSTEM	643,560,167	643,010,167
DEPARTMENT OF PUBLIC INSTRUCTION	5,893,107,574	5,930,005,558
UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS		
Appalachian State University	85,675,242	85,938,242
East Carolina University		
Academic Affairs	121,351,949	122,615,017
Health Affairs	46,304,621	46,304,621
Elizabeth City State University	21,763,052	21,763,052
Fayetteville State University	30,955,888	30,955,888

NC A & T University	59,833,778	59,833,778
NC Central University	44,621,691	44,621,691
NC School of the Arts	16,497,831	16,771,450
NC State University		
Academic Affairs	267,290,298	267,775,250
Agricultural Extension Service	37,526,948	37,526,948
Agricultural Research Service	47,967,114	47,940,998
UNC-Asheville	25,615,037	25,771,136
UNC-Chapel Hill		
Academic Affairs	201,509,167	202,018,681
Health Affairs	155,830,419	157,310,635
Area Health Education Centers	46,094,558	46,094,558
UNC-Charlotte	96,161,797	96,633,023
UNC-Greensboro	93,738,103	93,815,427
UNC-Pembroke	24,719,084	24,660,397
UNC-Wilmington	59,898,259	60,249,641
Western Carolina University	52,162,159	52,430,418
Winston-Salem State University	28,245,873	28,669,462
General Administration	42,937,551	43,932,975
University Institutional Programs	38,600,964	38,350,964
Related Educational Programs	103,637,912	103,637,912
NC School of Science and Math	11,487,156	11,839,342
UNC Health Care	40,587,322	40,587,322
Total	1,801,013,774	1,808,048,829
Health and Human Services		
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Office of the Secretary	41,441,585	44,074,849
Division of Aging	29,756,535	29,506,535
Division of Child Development	289,569,273	289,569,273
Division of Education Services	69,666,533	69,666,533
Division of Public Health	106,338,824	107,063,824
Division of Social Services	191,587,740	198,661,034
Division of Medical Assistance	1,984,704,074	2,243,993,097
Division of Medical Assistance-Health Choice	32,987,142	37,487,142
Division of Blind Services/Deaf	10,154,205	10,154,205
Division of Mental Health	583,450,916	559,014,250
Division of Facility Services	13,874,279	14,069,546
Division of Vocational Rehabilitation	42,768,956	42,148,689
Total	3,396,300,062	3,645,408,977
Natural and Economic Resources		
DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES	55,545,270	55,194,468
DEPARTMENT OF COMMERCE		
Commerce	45,509,011	44,428,369
Commerce State-Aid	7,500,000	5,200,000

NC Biotechnology Center	5,270,468	6,270,468
Rural Economic Development Center	4,470,777	5,470,471
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES		
Environment and Natural Resources	159,293,994	158,821,667
Clean Water Management Trust Fund	40,000,000	70,000,000
OFFICE OF THE GOVERNOR-Housing Finance Agency	5,300,000	5,300,000
DEPARTMENT OF LABOR	16,023,147	15,992,906
Justice and Public Safety		
DEPARTMENT OF CORRECTION	927,428,368	939,786,036
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY	35,300,144	0
JUDICIAL DEPARTMENT	305,092,577	305,015,376
JUDICIAL DEPARTMENT-Indigent Defense	70,007,423	70,007,423
DEPARTMENT OF JUSTICE	73,777,373	82,432,277
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION	140,631,495	142,079,708
General Government		
DEPARTMENT OF ADMINISTRATION	59,877,776	75,263,823
OFFICE OF ADMINISTRATIVE HEARINGS	2,835,447	2,835,447
DEPARTMENT OF STATE AUDITOR	11,864,673	11,864,673
OFFICE OF STATE CONTROLLER	11,523,868	11,523,868
DEPARTMENT OF CULTURAL RESOURCES		
Cultural Resources	59,477,419	59,477,419
Roanoke Island Commission	1,859,463	1,859,463
STATE BOARD OF ELECTIONS	3,186,269	3,186,269
GENERAL ASSEMBLY	39,553,848	39,553,848
OFFICE OF THE GOVERNOR		
Office of the Governor	5,442,905	5,442,905
Office of State Budget and Management	5,130,255	4,839,125
Mapping and Surveying	0	0
Reserve for Special Appropriations	3,480,000	3,080,000
department of insurance		
Insurance	23,129,288	23,129,288
Insurance-Volunteer Safety Workers' Compensation	1,500,000	4,500,000
office of lieutenant governor	669,545	669,545
department of revenue	75,228,760	75,219,160
rules review commission	325,795	325,795
department of secretary of state	8,643,292	8,643,292
department of state treasurer		
State Treasurer	7,641,817	7,641,817
Retirement for Fire and Rescue Squad Workers	10,301,897	12,379,780
Transportation		
DEPARTMENT OF TRANSPORTATION	11,690,709	13,393,341

Reserves, Debt Service, and Adjustments		
CONTINGENCY AND EMERGENCY	5,000,000	5,000,000
RESERVE FOR COMPENSATION INCREASES	186,942,000	186,942,000
RESERVE FOR SALARY ADJUSTMENTS	500,000	500,000
RESERVE FOR STATE HEALTH PLAN	150,000,000	200,000,000
TEACHERS' AND STATE EMPLOYEES' RETIREMENT RATE ADJUSTMENT	(251,761,770)	(251,761,770)
CONSOLIDATED JUDICIAL RETIREMENT RATE ADJUSTMENT	(2,345,000)	(2,345,000)
HURRICANE FLOYD RESERVE FUND	304,853,740	135,629,172
RESERVE TO IMPLEMENT HIPAA	30,000,000	
INFORMATION TECHNOLOGY RATE ADJUSTMENT	(11,000,000)	(11,000,000)
PAYROLL TURNOVER ADJUSTMENT	(37,300,000)	(37,300,000)
GENERAL DEBT SERVICE	275,120,390	352,266,860
FEDERAL REIMBURSEMENT	1,155,948	1,155,948
Grand Total Current Operations-General Fund	14,619,659,896	14,844,888,706

Budget Reform Statement	(\$ Millions)	(\$Millions)
Unappropriated balance	0	
Revenue collections in 2000-2001 in excess of authorized estimates	0	
Unexpended appropriations during 2000-2001	0	
Beginning Unreserved Credit Balance	0	
Revenues Existing Tax Structure	13,473.8	14,451.2
Non-tax revenues		
Investment Income	152.0	167.0
Judicial Fees	109.5	111.7
Disproportionate Share	107.0	107.0
Insurance	43.9	45.8
Other Non-Tax Revenues	110.0	111.2
Highway Trust Fund Transfer	170.0	170.0
Highway Fund Transfer	14.0	15.3
Subtotal	14,180.7	15,179.2
Other Adjustments		
NC Railroad Repayment	19.0	
Enhanced Dep't of Revenue Collections	18.0	18.0
Butner Assessment	0.3	0.5
IRC Conformity Adjustment	(3.4)	(3.8)
Closure of Tax Loopholes	190.8	232.9
Tax Withholding Acceleration	66.1	2.0
Transfers from Various Funds	447.0	
Court Fees Adjustment for State Bar	(1.7)	(1.7)
Transfer to Savings Reserve Account	(164.2)	
Subtotal	571.9	247.9
Total General Fund Availability	14,752.6	15,427.1

Nineteen million of NC Railroad Co. dividends shall be applied to increase the capital of the co., reduce certain obligations, and be deposited in the General Fund. Balance of the Hurricane Floyd Reserve Fund established pursuant to SL 1999-463 shall be transferred to the General

Fund on July 1, 200. Balances in the following funds shall be transferred to the State Controller to support General Fund appropriations:

Dep't of Ag. And Consumer Services (Warehouse Investment Fund)	\$ 500,000
Dep't NER (Sleep Products, Air Permits, Sedimentation Fees, Land Env. Controls, Dam Safety Account, Inactive Hazardous Sites Cleanup, Emergency Response Fund, Water Permits, WW Treatment Maintenance & Repair, Lab Certification Fees, Well Construction Fund, Oil Pollution Control)	1,409,318
Dep't of Commerce (International Trade Show Fund)	75,000
Dep't of Correction (Inmate Canteen/Welfare Fund)	380,000

Effective Oct. 2, 2001, \$1,200,000 shall be transferred from Dep't of Administration's Motor Fleet Management Fund to the Controller to support General Fund appropriations for 2001-2002. Effective April 1, 2002, \$2,000,000 shall be transferred from the Motor Fleet Management Fund to the Controller for the same purpose.

Effective July 1, 2001, the transfer from the Dep't of Correction's Prison Enterprise Fund shall be increased by \$1,000,000 for 2001-2002. Effective July 1, 2002, the transfer shall be increased by \$500,000 for 2002-2003 and subsequent fiscal years.

For 2001-2002 fiscal year, funds shall not be reserved to the Savings Reserve Account, and the Controller shall not transfer funds from the unreserved credit balance to the Savings Reserve Account on June 30, 2001. Of the funds in the Savings Reserve Account on July 1, 2001, \$1,901,501 for each fiscal year shall be used to support the Martin County Child Support Call Center and \$600,000 for each fiscal year shall be used to support the State Maternity Home Fund.

Part III. Current Operations and Expansion--Highway Fund				
			<u>2001-2002</u>	<u>2002-2003</u>
Transportation Administration			69,195,895	69,195,895
Transportation Operations			28,801,650	28,801,650
Transportation Programs				
State Construction				
	Primary Construction		0	0
	Secondary Construction		87,462,000	89,387,000
	Urban Construction		14,000,000	14,000,000
	Access		2,000,000	2,000,000
	Contingency		15,000,000	10,000,000
	Spot Safety		9,100,000	9,100,000
State Funds to Match Federal Highway Aid			5,212,266	5,212,266
Maintenance			580,878,337	573,855,366
Ferry Operations			19,747,132	19,747,132
Asphalt Plant/OSHA			425,000	425,000
Capital			1,634,000	
Aid to Municipalities			87,462,000	89,387,000
Rail			31,575,000	10,575,000
Public Transit			64,460,834	64,460,834
Airports			5,000,000	
Governor's Highway Safety			0	0
Transportation Regulation			98,938,931	98,346,612
Reserves and Transfers			198,246,955	202,820,508
Grand Total Current Operations and Expansion			1,319,140,000	1,287,314,263
Highway Fund Budget Reform Statement				

Beginning Credit Balance	14,860,000	
Estimated Revenue	1,303,280,000	1,311,720,000
Transfer of Cash from Reserve Funds	1,000,000	
Total Highway Fund Availability	1,319,140,000	1,311,720,000
Part IV. Highway Trust Fund		
Intrastate System	464,295,516	489,403,290
Secondary Roads	83,827,858	87,445,392
Urban Loops	187,741,771	197,894,308
Aid to Municipalities	48,715,429	51,349,821
Program Administration	34,142,426	36,181,189
Transfer to General Fund	170,000,000	170,000,000
Grand Total Current Operations and Expansion	988,723,000	1,032,274,000

Part V. Block Grants

Appropriates federal block grant funds to DHHS for the fiscal year ending June 30, 2002, according to the following schedule:

Community Services	\$ 15,639,392
Social Services	53,888,298
Low-Income Energy	20,093,896
Mental Health	9,855,277
Substance Abuse Prevention/Treatment	36,455,601
Child Care and Development	248,828,500
Temporary Assistance to Needy Families	373,110,978
Maternal and Child Health	16,928,823
Preventive Health Services	5,040,057

Contains provisions regarding availability of federal funds and use of block grant funds. Of funds allocated for Rape Prevention and Education, 25% shall be allocated as grants to nonprofit organizations for programs in middle, junior high, and high schools. Directs Div. of Social Services to continue to evaluate Work First program. Directs DHHS to review the Intensive Family Preservation Services Program to implement initiatives that increase the program's effectiveness. Directs DHHS, Div. of Social Services and Div. of MH/DD/SAS, to report the progress on improving regional residential programs for women with children to the Senate and House appropriations committees on health and human services by Oct. 1, 2001, and March 1, 2002. Directs DHHS to plan an outcome-based evaluation of adolescent pregnancy prevention programs. Directs DHHs to implement a program to award grants to community-based programs that demonstrate the ability to work with other groups and agencies to support the child and family.

Appropriates federal block grant funds to DNER for the fiscal year ending June 30, 2002, according to the following schedule:

Community Development	\$45,000,000
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Contains provisions on availability of federal funds and use of funds. Directs Dep't of Commerce to study the development of a training program designed to provide a minimum level of knowledge and skills for Community Development Block Grant Administrators. In conducting the study, the dep't shall consult the NC League of Municipalities, the NC Association of County Commissioners, the NC Community Development Ass'n, and the Institute of Government. Dep't

shall report its findings to the House and Senate Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division by Feb. 1, 2002.

PART VI. GENERAL PROVISIONS

Contingency and Emergency Fund Allocations. Appropriates \$5 million in 2001-2002 and \$5 million in 2002-2003 to the Contingency and Emergency Fund, allocated as follows: \$3,875,000 in each year for unanticipated disasters; \$900,000 in each year for either unanticipated disasters, court awards, or unanticipated federal match requirements; and \$225,000 each year for these or other contingency purposes. Bars use of Contingency and Emergency Funds for office space leases other than for unanticipated disasters, court awards, or unanticipated federal match requirements.

Authorized Transfers from Salary Adjustment Reserves. Allows Director of Budget, after reporting to the Fiscal Research Division, to use salary reserve funds to adjust salaries for recruitment and retention of state employees when individual salary adjustment operating funds are unavailable.

Expenditures of Funds in Reserves Limited. Restricts use of reserve funds to their original purpose.

State Money Recipients/Conflict of Interest Policy. Continues requirement that nonprofits that receive state funds must file a conflict of interest policy.

Disbursements to Nonprofits. Amends GS 143-26 to provide that disbursements of or under \$100,000 to nonprofits shall be paid in a single annual payment. Larger disbursements may still be made quarterly or monthly.

Budgeting of Pilot Programs. Requires separate line item budgeting and treatment as expansion items of experimental, model or pilot programs.

Appropriations Efficiency Study. Directs the Senate and House Appropriations Committees to meet at least one a month during the interim to study State agencies and seek efficiencies, in conjunction with the Governor's Efficiency Commission.

Limitations on Agency Legislative Liaison. Amends GS 120-47.12 to bar principal state departments from hiring lobbyists and from designating more than two persons as lobbyists.

Reserve to Implement the Health Insurance Portability and Accountability Act (HIPAA). Appropriates \$30 million as a reserve in the Office of State Budget and Management to implement HIPAA. Requires development of a strategic plan for HIPAA implementation with a report by Oct. 1, 2001.

Limitations on Use of State Aircraft. Bars use of state-owned airplane or helicopter to transport any board or commission member to a meeting, other than elected officials serving by virtue of their office.

Attorney General Reporting of Pending Lawsuits. Amends GS 114-2.6 to require two annual written reports to the legislature on the status of all pending lawsuits against the state. Requires further report within 30 days of a final judgment that orders the State to pay \$1 million or more.

Private License Plates on Publicly-owned Motor Vehicles. Specifies the agencies (investigators and law enforcement officials) permitted to use private license tags on state vehicles. Amends GS 14-250 and 20-39 accordingly and defines "private," "confidential" and "fictitious" license plates. Amends GS 20-56 to establish more stringent tests for identifying and verifying registrants who receive private license tags for State vehicles. Requires annual report by Division of Motor Vehicles to legislature on compliance with these restrictions.

Payroll Turnover Adjustment. States purpose and directs implementation of 2% reduction in wage and salary appropriations for State agencies other than public schools, community colleges and state colleges and universities.

Extend the Commission to Address Smart Growth, Growth Management, and Development Issues. Amends S.L. 1999-237 (establishing Smart Growth Comm'n) to extend the date of the final report to October 1, 2001 (was, Jan. 15, 2001).

PART VII. DEPARTMENT OF ADMINISTRATION

Veteran's Scholarship Program. Amends GS 165-20 to add to the definition of "child" an in-state domicile and residency requirement.

Modifications to the State Employee Incentive Bonus Program. Effective July 1, 2001, amends GS 143-340(1) to add Sec'y of Administration as ex officio member of all program

committees and to direct Sec'y to designate an executive sec'y to administer the program. Amends GS 143-345.20 to broaden the definition of agencies eligible to participate. Amends GS 143-345.21 to extend period of implementation over which savings are measured, to delay payment of savings, and to specify handling of reserve funds. Amends GS 143-345.22 to spread payment of suggestion awards to include Dep't of Administration and Office of State Personnel. Amends GS 143-345.23 to require agency coordinators to report suggestions within 180 days and to require agency evaluators to review suggestions within 90 days. Amends GS 143-345.25 to require all intellectual property rights related to submitted suggestions to be assigned to the State and to direct Office of State Personnel to establish a policy on intellectual property rights by Jan. 1, 2002.

Study of Motor Fleet Management. Directs Office of State Budget and Management to study operations of State motor fleet management and consider privatizing it, with a report due to the 2002 Regular Session of the General Assembly.

Motor Pool Operations and Assignment of Vehicles. Amends GS 143-341 to extend time of replacement of State vehicles to 110,000 miles (was, 90,000 miles) and to require consideration of economic suitability and cost-effectiveness in assignment of motor vehicles. Further restricts assignment of law enforcement vehicles to agencies with statutory pursuit authority.

Plan for Privatization of State Capitol Police. Directs Dep't of Administration to develop a plan for privatizing the State Capitol Police and to report on the plan by Jan. 1, 2002 to the legislature.

Transfer Board of Science and Technology. Transfers N.C. Bd. of Science and Technology (GS 143B-426.30) from the Dep't of Administration to the Dep't of Commerce.

PART VIII. OFFICE OF ADMINISTRATIVE HEARINGS

Reclassification of Positions. Directs OAH to reclassify positions in accordance with a report of the Office of State Personnel submitted to the legislature on Jan. 30, 2001.

PART IX. OFFICE OF THE STATE AUDITOR

Electronic Distribution of Auditor's Report. Amends GS 147-64.6(c) to permit audit report distribution in electronic form.

PART X. OFFICE OF THE STATE CONTROLLER

Overpayments Audit. Directs handling of receipts from collections on agency overpayments, including use of \$200,000 of such funds by the State Controller for data processing, debt collection or e-commerce costs and transfer of balance to General Fund for appropriation.

PART XI. DEPARTMENT OF CULTURAL RESOURCES

Completion of the Information Technology Expansion Project and the Information Resource Management Commission Project Certification. Directs Dep't of Cultural Resources to use \$50,000 of appropriate funds to complete project as title indicates. Bars Dep't from spending further funds for information technology expansion prior to review of the IRMC Project Certification by the legislature. Requires presentation of IRMC Project Certification results to legislature by Dec. 31, 2001.

PART XII. OFFICE OF THE GOVERNOR

Advisory Commission on Military Affairs. Substantially identical to H 1382, introduced 4/26/01, with expansion of voting members to include six appointed by the legislative leadership along with the original fifteen Governor's appointments, as well as one new ex officio member, the Sec'y of Crime Control and Public Safety. Also designates the Governor's Military Advisor as the administrative head of the Comm'n.

Eliminate State Planning Unit and Rename Budget Office. Repeals GS 143-10.3, 143-10.4, 143-10.5 and 143-10.6 (performance planning and budgeting requirements for state agencies). Renames "Office of State Budget, Planning and Management" as "Office of State Budget and Management."

Transfer the Center for Geographic Information Analysis/Geodetic Survey and the Statewide Floodplain Mapping Unit. Transfers CGIA and Geodetic Survey to the Dep't of Environment and Natural Resources, Division of Land Resources. Transfers Statewide Flood Mapping Unit to the Dep't of Crime Control and Public Safety.

PART XIII. OFFICE OF STATE PERSONNEL

Abolish Office of State Personnel Prepare Program. Abolishes the PREPARE program in the Office of State Personnel and encourages Dep't of State Treasurer to include the model of the PREPARE program in its current delivery of retirement services.

PART XIV. GENERAL GOVERNMENT

Use of Internet for Agency Publications. Directs the Office of the Governor, Office of the Lieutenant Governor, Office of State Budget and Management, the Board of Elections, the Dep't of Insurance, the Office of the Secretary of State, the Office of the Treasurer, the Office of Administrative Hearings, the Office of the State Controller, the Dep't of Cultural Resources, the General Assembly, the Office of State Personnel, the Dep't of Revenue, and the Rules Review Comm'n to review printing and publication schedules and develop a plan to distribute agency information electronically. Requires each agency to submit a written report to the Fiscal Research Division by April 1, 2002.

XV. INFORMATION TECHNOLOGY

State Intellectual Property Assets/Nongovernmental Organizations. Amends GS 66 to add a new Article, State Intellectual Property Assets, effective for state intellectual property assets developed after this act becomes law. Defines "intellectual property" to include patentable materials (other than software and including novel plants) and copyrighted materials (whether or not registered, and possibly including software). For state employees other than university and community college employees, directs that intellectual property developed within the scope of employment shall be the property of the state. For local government employees, including public school personnel, directs that intellectual property developed within the scope of employment shall be the property of the local government or school administrative unit. Authorizes state to hold a security interest in royalties from intellectual property developed using state or local funds or facilities, as provided by an express agreement. Authorizes the Governor to set policies to implement the section. Directs university, constituent institutions and community college systems to adopt and revise intellectual property and inventor guidelines. Directs Dep't of Public Instruction to adopt and revise guidelines for local school administrative units. Directs governing boards of each unit of local government to adopt and revise guidelines for employees and contractors.

Amends GS 55A to prohibit NC nonprofit corporations from distributing or transferring assets arising from intellectual property developed with funding from state or local government. Adds conflict of interest transactions under GS 55A-8-31 and GS 55A-8-42 for directors and officers of NC nonprofit corporations who receive assets or benefits or employment based on money from intellectual property assets developed with State or local funds. Provides enforcement provisions.

Security Standards for State Information Technology. Amends GS 147-33.81 to add "security goods and services" to definition of "information technology" and to add a definition of "state agency." Amends GS 147-33.82 to add power of State Chief Information Officer to set security standards. Requires State Chief Information Officer approval of all information technology security purchased with state funds or for use by state agencies or in state facilities, provided that the legislative and judicial branches and educational institutions may set their own security standards at least as high as those set by the State CIO, with certification of the standards by the State CIO. Sets out process for review and approval of information security standards. Protects information provided by state agencies to the State CIO under these provisions from disclosure under the Public Records Act. Requires State Auditor to assess, confirm and report on information security practices.

Executive Budget Act Information Technology Provisions. Adds new GS 143-6(b2) to require state agencies seeking state funding of \$100,000 or more for information technology acquisition or maintenance to submit to the State CIO a statement of needs and to submit a certification from the State CIO of consistency with Article 3D of GS 147. Amends GS 143-7 to require budget codes to allow analysis of information technology funding and expenditures.

Office of State Controller to Establish Accounts for Computer

Networking/Telecommunications Service Billing for State Agencies. Directs Offices of State Controller, State Budget and Management and Information Technology Services to adopt a common definition for computer networking costs by Sept. 1, 2001. Directs Office of Information Technology Services to give state agencies detailed information on cost of ITS services and to implement billing reforms by Oct. 1, 2001. Directs Office of State Controller to establish separate accounts to capture networking costs by Dec. 1, 2001.

Study State Agency Use of Contractors for Information Technology. Directs study of use of information technology contractors and separate accounting for information technology contract services. Study participants include Office of State Personnel, Office of Information Technology

Services, Office of State Budget and Management, and Office of State Controller. Study group to report by Dec. 1, 2001, to legislature.

E-procurement/procurement Card Program. Repeals sec. 20.3 of SL 1998-212, sec. 24 of SL 1999-237, and sec. 21.3 of SL 2000-67 (procurement pilot program). Amends GS 143-48.3 to direct Dep't of Administration to establish and maintain an electronic procurement card program for State agencies and local schools. Once procurement card program is in place, requires agencies other than the University of North Carolina and UNC Health Care to issue procurement orders over \$250 electronically, with threshold subject to revision by the Sec'y of Administration. Authorizes University of North Carolina and UNC Health Care to use electronic procurement cards provided by the Dep't of Administration or an independent provider.

N.C. Information Highway Sites. Appropriates \$3,024,185 for 2001-2002 to fund Information Highway sites that received funding in the 2000-2001 fiscal year. Directs joint appropriations committees to review use of the Information Highway and recommend future funding beyond 2001-2002.

Reduction in Expenditures Based on ITS Rate Reductions. Directs Office of State Budget and Management to reduce agency expenditure accounts for telephone, telecommunications and data services by \$11 million based on a reduction in rates for services provided by the Office of Information Technology Services.

PART XVI. HOUSING FINANCE AGENCY

Home Program Matching Funds. Directs funds appropriated for the federal HOME program to be used to match federal HOME program funds, giving priority first to projects located in Enterprise Tier One, Two and Three counties (GS 105-129.3), and second to projects that benefit persons and families with incomes 50% or less of the median family income for the local area. Requires annual report to the legislature on status of the HOME program. Eliminates reversion of federal HOME program matching funds on June 30, 2002, and 2003, but prohibits use of appropriate matching funds if federal match requirement is eliminated for a given year.

PART XVII. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

Authorize Promotion of NC Farm Products at Rest Areas and Welcome Centers. Amends art. 6D of GS 136 to authorize promotional materials and free samples of N.C. farm products as title indicates.

Transfer Rural Rehabilitation Corporation to Agricultural Finance Authority. Amends GS 143A-63 to change transfer of Rural Rehabilitation Corporation from Type II to Type I transfer, and requires report to legislature by Jan. 15, 2002, on the status of the transfer.

Farmland Preservation Funds. Appropriates \$250,000 to the Dep't of Agriculture and Consumer Services for the Farmland Preservation Trust Fund under GS 106-744.

PART XVIII. DEPARTMENT OF LABOR

Labor Department/Elevator Inspection Fee Receipts. Provides that if S 897 or H 1057 of the 2001 General Assembly becomes law, the Dep't of Labor shall allocate increased elevator and amusement device inspection fee receipts to support the Elevator and Amusement Device Bureau, with corresponding reductions in appropriations to the Dep't.

PART XIX. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Statewide Beaver Damage Control Program Funds. Directs \$500,000 of funds appropriated to the Wildlife Resource Comm'n for fiscal years 2001-2002 and 2002-2003 to be used for State share of beaver damage control under GS 113-291.10, provided at least \$25,000 in federal funds is available each fiscal year for the federal share.

Grassroots Science Program. Directs \$3,004,520 of funds appropriated to Dep't of Environment and Natural Resources for fiscal years 2001-2002 and 2002-2003 for the Grassroots Science Program to be spent as grants-in-aid for specified facilities.

Terms for Members of the North Carolina Parks and Recreation Authority. Amends GS 143B-313.2(b) to extend terms to three years (were two years) and to require one year waiting period after expiration of second consecutive term before a member is eligible for reappointment. Adjusts staggering of terms to match new three year length.

Receipts for NC Zoological Park Admission Fee Increase to be Used for Marketing Purposes. Authorizes, with approval of Sec'y of Dep't, use of up to \$400,000 in receipts for fiscal years 2001-2002 and 2002-2003 from increased admission fees at the zoo for marketing activities.

North Carolina Water Quality Workgroup Initiative/Rivernet Monitoring System Pilot Program/Research Funds. Amends GS 143-215.8D to require Dep't and North Carolina State University to establish a collaborative workgroup to identify databases that can be used for formulate public policy regarding water quality, identify data gaps, and set priorities for filling data gaps. Requires the workgroup to maintain a web-based water quality data distribution site that continuously monitors water quality and nutrient parameters and that provides notice when monitors exceed defined limits.

Continue One-Stop Permit Assistance Pilot Program. Directs Dep't to continue the one-stop environmental permit application pilot project established under sec. 13.7 of SL 2000-67 during the 2001-2003 biennium. States intent to expand pilot program to a statewide program if resources are available. Requires reports in 2002 and 2003 regarding results of the pilot project, with specified measures for permit actions. Authorizes temporary rules.

Division of Radiation Protection Self-Sufficiency Plan. Directs Dep't to develop a plan to make the Division of Radiation Protection self-supporting within two years and to report to the Natural and Economic Resources appropriations committees by Jan. 15, 2002.

DENR to Study Feasibility of Transferring Sedimentation Program to Local Governments. Directs Dep't to conduct study as title indicates and to report to the Natural and Economic Resources appropriations committees by April 1, 2002.

Submerged Lands Programs/Secretary Designate Program Manager. Directs Sec'y of Dep't to designate from existing staff a position to be responsible for managing the Submerged Lands Program. Requires report by Aug. 1, 2001, to the cochair of the Natural and Economic Resources appropriations committees on the position that will manage the program.

DENR Reclassification of Senior Field Officer Positions Report. Requires Dep't to report to the legislature by Oct. 1, 2001, on reclassification of the senior field officers positions as directed by sec. 26.12 of SL 1995-324, explaining the duties and benefits of the positions.

DENR Study of Environmental Permitting Process. Directs Dep't to study permitting by Division of Water Quality; under Coastal Area Management Act; and for sedimentation and erosion control plans, describing several parameters on numbers, time frames and staffing, with a report provided to appropriations cochair on ways to improve, expedite or simplify the permitting process by March 10, 2002.

PART XX. DEPARTMENT OF COMMERCE

Tourism Promotion Funds. Directs Dep't to allocate appropriations for tourism grants according to need based on per capita income, unemployment, and population growth, with the neediest twenty counties receiving at most \$7,500 for each fiscal year, provided funds are matched with \$1 local to \$4 state; the next thirty counties receiving at most \$3,500 for two of the three fiscal years, provided funds are matched with \$1 local to \$3 state; and the remaining fifty counties receiving at most \$3,500 for alternative fiscal years, matched \$4 local to \$1 state.

Wanchese Seafood Industrial Park Funds/Oregon Inlet Funds. Allocates \$127,870 for fiscal 2001-2002 and 2002-2003 of funds appropriated to Dep't for operations, maintenance, repair and capital improvements at Wanchese Seafood Industrial Park. Funds appropriated to Dep't for Oregon Inlet Project for 2000-2001 shall not revert, but remain available for legal costs associated with the project.

Industrial Recruitment Competitive Fund. Authorizes ongoing use of Industrial Recruitment Funds pursuant to guidelines and procedures adopted by the Governor. Requires report to the legislature on or before Oct. 1, 2001, on the use of such funds.

Abolish Center for Entrepreneurship and Technology. Effective July 1, 2001, abolishes Center in Dep't as title indicates.

Commerce Study/Consolidate Business and Industry Division Regional Offices and Regional Economic Development Commissions. Directs Dep't to study feasibility of consolidation as title indicates. Prescribes certain analytic tasks in the study. Requires report to legislature by Jan. 15, 2002.

Worker Training Trust Fund Appropriations. Appropriates \$5,930,016 from Worker Training Trust Fund to Dep't of Commerce for 2001-2002 for operation of local Employment Services and Workforce Development offices. Notwithstanding GS 96-50(f), appropriates from Worker Trust Fund for 2001-2002: to N.C. Community Colleges System Office, \$2,166,047 for New and Expanded Industry Training Program, \$941,760 for customized training of the unemployed and

working poor, \$1,644,312 for the Focused Industrial Training Program, and \$376,704 for a training program in entrepreneurial skills to be operated by NC REAL Enterprises; to Dep't, \$211,896 for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in state education and training programs, and \$56,506 to maintain compliance with the Common Follow-Up Management Information System; to Dep't of Labor, \$941,760 to continue the Apprenticeship Program.

Biotechnology Center. Directs N.C. Biotechnology Center to recapture funds spent in support of successful for-profit research and development efforts. Requires reports to legislature in 2002 and 2003 on activities and expenditures, along with audited financial statements.

Biotechnology Center/Technological Development Authority, Inc. Profit Sharing with State. Requires N.C. Biotechnology Center and N.C. Technological Development Authority, Inc to enter a memorandum of understanding with the N.C. Attorney General's Office, prior to receiving state disbursements, which governs profit sharing. Requires submission of proposed profit sharing agreement to the legislature by Jan. 15, 2002, and execution within 30 days after it is presented to the legislature.

N.C. Technological Development Authority, Inc. Reporting Requirements. Requires Technological Development Authority, Inc. to report by Jan. 15, 2002, to the legislature on activities and expenditures and to provide audited financial statements. Bars release of fourth quarter allotments to Authority until reporting requirements are satisfied.

Regional Economic Development Commission Allocations. Prescribes formula based on enterprise factors for distributing funds appropriated to the Regional Economic Development Commissions as well as interest on funds previously appropriated for the Global Transpark.

Regional Commission Reports. Requires reports by each regional economic development commission in 2002 and 2003 to the legislature and Dep't.

Council of Government Funds. Directs \$935,000 for 2001-2002 and 2002-2003 to the regional council of governments and lead regional organizations. Specifies criteria for allocation of funds based on city size. Requires reports by each council of government to the legislature in 2002 and 2003, including audited financial statements.

Global Transpark Development Commission Membership Changes. Amends GS 158-35(a) to allow removal of members of the Commission by majority vote of the Commission if the member does not attend at least three-quarters of the regular meetings in any 12-month period, other than for excused absences.

Nonprofit reporting Requirements. Requires reports to the legislature in 2002 and 2003 as well as audited financial statements from the N.C. Institute for Minority Economic Development, Inc., Land Loss Prevention Project, N.C. Coalition of Farm and Rural Families, Inc., N.C. Minority Support Center, N.C. Community Development Initiative, Inc., N.C. Assoc. of Community Development Corporations, Inc., Partnership for the Sounds, Inc., and N.C. REAL Enterprises. Restricts disbursements to these entities until reporting requirements are met.

Rural Economic Development Center. Allocates \$1,818,471 for 2001-2002 and 2002-2003 from funds appropriated to Rural Center for Research and Demonstration Grants, Center administration, Clean Water/Natural Gas Bond administration, administration of Supplemental Funding Program, and administration of Capacity Building Assistance program. Requires reports to Office of State Budget and Management on budget and personnel issues as provided by state agencies. Limits to 50% the use of interest on appropriated funds for Center administration. Defines "community development corporations" and specifies use of \$3,252,000 for 2001-2002 and 2002-2003 for community development corporation grants for minority communities (\$1,124,000 in each year), Microenterprise Loan Program (\$234,000 in each year), supplemental funding for water, sewer and other economic development projects in distressed areas (\$1,644,000 in each year), and Agricultural Advancement Consortium (\$250,000 in each year). Directs reduction in appropriations to the Rural Center for 2001-2002 by \$999,694 to be compensated by use of cash balances in Child Care Loan Fund and other cash reserves on hand. Requires reports in 2002 and 2003 and audited financial statements from the Rural Center.

Opportunities Industrialization Center Funds. Directs \$400,000 for 2001-2002 and 2002-2003 from funds appropriated to the Rural Economic Development Center for Opportunities Industrialization Centers in specified locations. Requires reports and audited financial statements from these OICs.

XXI. DEPARTMENT OF HEALTH AND HUMAN SERVICES.

DHHS Regional Offices. Requires Dep't to consolidate and reduce its regional, district, field and satellite offices throughout the State, no later than June 30, 2002, and to report on this consolidation to the legislature by Jan. 1, 2002, and July 1, 2002.

Centralize Criminal Record Check Functions. Directs Dep't to centralize all activities relating to coordination and processing of criminal record checks required by law and report to the legislature no later than Jan. 1, 2002.

Prescription Drug Assistance Program Management. Directs Dep't to implement recommendations of the "North Carolina Medicaid Benefit Study" (May 1, 2001) pertaining to dispensing of generic drugs and inventories of prescription drugs. Further directs Dep't to consider other drug utilization management activities for all prescription drug assistance programs and to report back to the legislature by Jan. 1, 2002.

Toll-free Phone Line Inventory and Consolidation. Directs Dep't to determine feasibility of combining all Dep't-operated and contracted toll-free phone lines, following an inventory of such lines and an evaluation of potential savings. Requires report on feasibility study to legislature by Oct. 1, 2001, with a final report by April 1, 2002.

Coordination of Access to Pharmaceutical Company Prescription Drug Programs. Allocates \$200,000 in 2001-2002 and 2002-2003 from appropriated funds to assistance of eligible individuals in obtaining free or nominal cost prescription drugs through a central location that maintains eligibility information. Requires reports on Oct. 1, 2001, April 1, 2002, and Oct. 1, 2002, to legislature on progress.

Adult Care Home Reimbursement Rates Implementation. Directs Dep't to implement all the recommendations in the March 2001 performance audit report, "Adult Care Home Reimbursement Rates," except the recommendation on review of rate methodology for adult care homes, no later than July 1, 2002. Requires Div'n of Fiscal Research and Dep't to issue a request for proposal and contract with an independent consultant to develop a new rate methodology, with a final report from the consultant due by June 1, 2002 to the legislature.

Long Term Care Continuum of Care. Requires Dep't to develop a system of long-term care for elderly and disabled individuals and families that provides a continuum of care, including specified services and system characteristics. Permits implementation with approval of Office of State Budget and Management of the initial phase of a supporting data system. Requires report to legislature by April 15, 2002.

Recodification of Administrative Rules. Authorizes Codifier of Rules to continue reorganization of Titles 10 and 15A of the N.C. Administrative Code in light of the reorganizations of Dep't and the Dep't of Environment and Natural Resources, without having to go through the rulemaking process to make changes.

Transfer of Certain Funds Authorized. Amends 143-23.3 to give flexibility to Director of Budget to transfer funds between programs at the local level.

Physician Services. With approval of Office of State Budget and Management, permits use of appropriated funds for across-the-board salary increases and performance pay to offset increased contracting costs in the Division of Mental Health, Developmental Disabilities and Substance Abuse Services.

Eliminate Joint Legislative Public Assistance Commission. Repeals GS 120-225 as title indicates and makes conforming changes in statutes that reference the Comm'n.

Establish Office of Policy and Planning. Directs Dep't to establish an Office of Policy and Planning within the Office of the Secretary of the Dep't with specified reporting and responsibilities. Requires report to legislature on implementation by Jan. 1, 2002.

Transfer Power and Duties of the Child Care Commission to the Social Services Commission and Abolish the Child Care Commission. As title indicates.

County Health and Human Services Budget Guidance. Amends GS 108A-88 to add county commissioners, county manager, and director of public health to the individuals notified of the estimate of funds available to each county for public assistance and social services, and adds public health funds to the list required to be estimated.

Information Technology Project Contracts. Authorizes Dep't to establish special time-limited positions in Div'n of Information Research Management for an information technology project to

implement the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Positions established in this manner may commence no earlier than July 1, 2001 and expire June 30, 2003.

Use of Savings Realized from Elimination of Positions. Requires savings in non-State funds from elimination of Dep't positions to be reallocated for direct services in the program where the position was eliminated, except where State funds are used to draw down federal funds.

Intervention Services Unit. Creates unit as title indicates in Office of the Secretary of the Dep't, responsible for planning, analysis and coordination of early intervention efforts

Medicaid Program. Prescribes schedule of services and payment bases for Medicaid payments for Hospital-Inpatient (as established in Dep't plan); Hospital-Outpatient (80%); Nursing Facilities (Dep't plan); Intermediate Care Facilities for the Mentally Retarded (Dep't plan); Drugs (as allowed under federal regulations plus a professional services fee of \$4 per prescription, for up to six prescriptions per month); Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified Nurse Midwife Services, Nurse Practitioners (Dep't fee schedules); Community Alternative Program, EPSDT Screens (Dep't rate schedule); Home Health and Related Services, Private Duty Nursing, Clinic Services, Prepaid Health Plans, Durable Medical Equipment (Dep't reimbursement plans); Medicare Buy-in (Social Security Administration premium); Ambulance Services (Dep't fee schedule, with public ambulances at cost); Hearing aids (actual cost plus dispensing fee); Rural Health Clinic Services (provider based, reasonable cost; nonprovider-based, single-cost reimbursement rate per clinic visit); Family planning (negotiated rate for local health departments); Independent lab and x-ray services (Dep't fee schedule); Optical supplies (100% of reasonable wholesale cost); Ambulatory Surgical Centers (Dep't plan); Medicare Crossover Claims (Dep't plan, up to actual coinsurance or deductible or both); Physical therapy and speech therapy (negotiated rates to qualified providers, subject to prior approval and utilization review); Personal care services (Dep't plan); Case management services (subject to availability of funds); Hospice (Dep't plan); Other mental health services (limited to certain agencies and Dep't plan); Medically necessary prosthetics or orthotics (Dep't plan); Health insurance premiums (Dep't plan), Medical care/other remedial care (Dep't plan); Pregnancy related services (specified covered services). Reimbursement limited to 24 visits per recipient per year for stated one or combination of providers. State to pay 85% of nonfederal costs, county to pay 15%. Copayment requirements are permitted up to the maximum allowed by federal law. Provides schedule of maximum net family annual income for assistance. Directs Dep't to provide Medicaid coverage to all elderly, blind, and disabled people with incomes equal to or less than 100% of the federal poverty guidelines. Authorizes work incentive allowance for Medicaid-eligible recipients, with a schedule of allowances based on monthly net wages. Restricts dental coverage in accordance with Dep't rules. Provides default generic drug prescription whenever a drug is designated by trade or brand name, except when brand name drug is medically necessary. Allows waiver of service limitations, eligibility requirements and payment bases, with approval of Director of Budget, for certain purposes. Authorizes Dep't to proceed with planning and development on Program of All-Inclusive Care for the Elderly. Authorizes change in the State Medicaid Plan through volume purchases, single source procurement, or other measures to reduce costs. Authorizes other cost-containment programs, such as preadmissions to hospitals and prior approval for outpatient surgeries before they are performed on an inpatient basis. Requires updating eligibility income limits each April 1 immediately following publication of federal poverty guidelines. Requires provision of Medicaid to 19, 20, and 21 year olds in accordance with federal rules. Provides schedule of service eligibility for pregnant women and children. Bars resource tests for pregnant women, infants and children with family incomes equal to or less than 133% of the federal poverty guidelines. Makes Medicaid enrollment of categorically needy families with children last continuously for a year without regard to income changes. Directs Dep't to disregard earned income under sec. 1931 of the Social Security Act if it would cause loss of Medicaid eligibility. Requires Dep't to submit quarterly reports on expenditures for acute care and long-term care to legislature and Office of State Budget and Management. Allows incentives to counties that recover fraudulent Medicaid funds through sharing of recoveries. Allows Dep't to use equipment funds to contract for information processing, subject to State budget approval. Authorizes temporary rules to maximize federal funds, reduce Medicaid expenditures and reduce fraud and abuse. Requires reports to legislature on any changes in Medicaid that may affect levels of service or reimbursement. Upon receipt of a federal demonstration waiver, allows Dep't to provide

Medicaid coverage for family planning services to men and women with family incomes equal to or less than 185% of the federal poverty level. Requires Dep't to implement a new code for providers currently reimbursed for "Y" code services, to be implemented when Health Insurance Portability standards are effective.

Medicaid Definition of Medical Necessity Exempt from Rule-making Under APA; Determination of Medical Necessity. Requires Dep't to adopt a definition and application of "medical necessity" for Medicaid that is consistent with current national standards of care, and exempts this determination from rule-making under GS 150B.

County Medicaid Cost-Share. Incrementally increases county share of cost of Medicaid services provided effective July 1, 2000 by area mental health authorities until the county reaches 15% of the nonfederal share by 2009-2010. Incrementally decreases county share of cost of Medicaid Personal Care Services to adult care homes until the county share reaches 15% of the nonfederal share by 2009-2010.

NC Health Choice. Limits the total state expenditure on Health Insurance Program for Children (NC Health Choice) in 2001-2002 and 2002-2003 to amount of state funds appropriated to match federal funds for those fiscal years. Requires Dep't to manage enrollment to maximize the number of children served with existing funds.

Disposition of Disproportionate Share Receipt Change. Requires disproportionate share receipts reserved at the end of 2001-2002 to be deposited with State Treasurer as non-tax revenue for 2001-2002. Directs deposits of funds associated with Disproportionate Share Payments up to \$107,000,000 with Treasurer as non-tax revenue. Amounts in excess of \$107,000,000 shall be reserved for future appropriations.

Medicaid Cost Containment and Growth Reduction. Directs Dep't to contain Medicaid costs by reducing rate of growth, except growth in number of persons eligible, to 8% or less of total expenditures for 2001-2002. Specifies several ways to reduce rate of growth and requires report on plans to reduce growth to be given to legislature no later than Oct. 1, 2001. Prohibits Dep't from changing medical policy affecting amount, sufficiency, duration and scope of health care services and who may provide them until completion of five year fiscal analysis documenting cost of proposed changes. If fiscal impact predicted by a proposed change exceeds \$3,000,000 in a given year, the Dep't must submit the proposed change and fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division.

Medicaid Cost Containment Reserve. Allocates \$2 million of funds appropriated to Dep't for 2001-2003 biennium to be placed in a Reserve for Medicaid Cost Containment, with funds used for support cost containment activities. Funds may not be expended from reserve until approval of proposals by Office of State Budget and Management.

Medicaid Program Management. Directs Dep't to consider May 1, 2001, "North Carolina Medicaid Benefit Study" and target specified goals in considering implementation of recommendations. Directs implementation of certain recommendations aimed at management of the Medicaid pharmacy benefit, including prior authorization program for brand name drugs, decreased drug inventories, active management of physician prescribing practices through provider profiling, limiting access to certain drugs, and evaluating incentives for generic drugs. Requires report to legislature by Jan. 1, 2002.

Carolina Access Program Improvements. Directs Dep't to improve Carolina ACCESS program, noting certain strategies to be considered.

Study Optional Services Under Medicaid Program. Directs Dep't to study all the optional services provided under the Medical Assistance Program and to conduct a cost-benefit analysis of each optional service, reporting results to the legislature by April 1, 2002.

Aging: Special Assistance Demonstration Project. Rewrites sec. 11.21 of SL 1999-237 to extend eligibility period to June 30, 2003.

Senior Center Outreach. Directs Dep't to use funds in 2001-2003 biennium to enhance senior center programs to reach unserved or underserved areas or to provide start-up funds for new centers, and to allocate funds by Oct. 1 of each fiscal year. Prior to allocation of funds for new centers, requires formal endorsement of county commissioners in the county where center will be located, as well as formal agreement on sponsoring agency for the center and formal commitment to use local funds to support the center. Limits State funding to 90% of reimbursable costs.

Funds for Alzheimer's Association Chapters in North Carolina. Allocates \$150,000 for 2001-2002 and 2002-2003 from Dep't appropriations to three chapters of the Alzheimer's Association. Requires prior planning by the chapter for use of the funds.

Area agencies on Aging Cost Savings Study; Reduction in Number of Agencies; Funds. Directs Dep't to conduct a study to determine cost savings from reducing the number of Area Agencies on Aging from 17 to a number between 10 and 13. Requires cost-benefit analysis and a report to the legislature by March 1, 2002. Allocates \$700,000 for 2001-2002 from Dep't appropriations to be divided equally among the Area Agencies on Aging.

Division of Aging Consolidation of Sections. Directs Dep't Div. of Aging to reduce layers of management and streamline operations by consolidating the planning and budget and information sections.

Social Services: Extend Adult Care Home Moratorium. Extends moratorium passed as sec. 11.69(b) of SL 1997-443 to June 30, 2002. Deletes provisions for licensure of additional beds based on vacancy rates or county determinations.

Adult Care Home Resident Assessment Services. Directs Dep't appropriations for adult care home positions and in county social services departments to be used for personnel trained in medical and social needs of older adults and disabled persons and in evaluation of individuals requesting Special Assistance for payment to care in adult care homes. Directs these personnel to give technical assistance to adult care homes.

Quality Criteria for Long-term Care. Directs Dep't, with NC Institute of Medicine, to continue special work group on criterion-based indicators for monitoring nursing home, adult care home, assisted living facility and home health care program quality.

Child Protective Services. Allocates funds appropriated to Dep't for 2001-2003 biennium for Child Protective Services to go to counties based on a formula considering the number of cases and number of workers and supervisors needed to meet standards of the N.C. Assoc. of County Directors of Social Services. Requires counties to use funds thus allocated to investigate child abuse and neglect and to provide protective or preventive services when neglect or abuse is confirmed.

Limitations on State Abortion Fund. Applies limitations enacted in sec. 23.27 of SL 1995-324 in 2001-2003 biennium.

State Child Fatality Review Team Reporting. Requires report from Dep't to legislature no later than Oct. 1 of each year.

Special Children Adoption Fund. Allocates \$1,100,000 from Dep't appropriations to support the Special Children Adoption Fund for each year of the 2001-2003 biennium. Directs use of the funds pursuant to Div. of Social Services guidelines. Of these funds, \$1,000,000 shall be reserved annually for payment to participating private adoption agencies.

Foster Care and Adoption Assistance Payments. Establishes graduated rate scales for foster care, adoption assistance, and HIV foster care and adoption assistance programs. Directs use of additional remaining funds appropriated for HIV-infected children.

Special Needs Adoption Incentive Fund. Establishes Special Needs Adoptions Incentive Fund to assist adoption of children in licensed foster care homes, effective Jan. 1, 2001. This program does not constitute an entitlement. Delegates rulemaking authority to the Social Services Commission. Requires report to legislature by Dep't on use of funds by April 1, 2002.

Extend Reporting Deadlines – Closing the Achievement Gap. Requires Dep't to present a progress report on study required by sec. 11.4 of SL 2000-67 to the legislature by March 1, 2002, with a final report to the legislature by Feb. 1, 2003.

State/County Special Assistance. Prohibits changes in the eligibility of Special Assistance recipients in adult care homes on August 1, 1995, based on income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services. Sets maximum monthly rate for these residents at \$1,231 per month per resident. Sets maximum monthly rate otherwise at \$1,062 through Sept. 30, 2001. Effective Oct. 1, 2001, sets the maximum monthly rate at \$1,069 per month per resident.

Child Welfare System Pilots. Directs Dep't to develop a plan, with local social services departments, to implement an alternative response system of child protection in at least 2 and no more than 10 demonstration areas. Pilots must use family assessment tools and family support

principles when responding to reports of suspected neglect. Sets pilot program evaluation criteria and authorizes pilot program to proceed with non-state funds.

State Adult Day Care Fund. Directs Dep't to change methodology for allocating slots by Jan. 1, 2002, and to report on changes to the legislature by that time.

Family Resource Centers. Directs Dep't to evaluate the use of state and federal funds spent on Family Resource Centers, using stated criteria and establishing performance measurement protocols or best practice models. Bars allocation of funds to Family Resource Centers that fail to demonstrate effectiveness and efficiency. Requires report to legislature by June 30, 2002.

Reorganization of Division of Social Services. Directs Dep't to reduce layers of management and streamline operations as title indicates, consolidating specified sections and branches and eliminating the local support section and program development branch.

Intensive Family Preservation Services Funding and Performance Enhancements. Directs Dep't to review program as title indicates. Requires certain information of any program or entity receiving funding for Intensive Family Preservation Services, including performance measures, cost-benefit data, long term benefits and benefits for minority race children. Requires report to legislature by Jan. 1, 2002, and final report by May 30, 2002.

Approve TANF State Plan. States legislative approval of Dep't report, "N.C. Temporary Assistance for Needy Families State Plan FY 2001-2003" and directs submittal to U.S. Dep't of Health and Human Services. Approves as electing counties Caldwell, Caswell, Davie, Henderson, Iredell, Lenoir, Lincoln, Macon, McDowell, Randolph, Sampson, Surry, and Wilkes.

Repeal Recipient Identification System. Repeals GS 108A-24(1a) and GS 108A-25.1.

Child Support Pilot Program/Enhanced Standards. States legislative intent that Dep't increase productivity of child support enforcement. Directs Dep't to develop and implement performance enhancement strategies and specifies evaluation criteria. Directs development and implementation of reward program for child support enforcement offices. Requires report to legislature by Sept. 1, 2002, and Jan. 15, 2002, with final report by May 1, 2002.

Adult Care Home Model for Community-based Services. In light of *Olmstead* case, directs Dep't to develop a model project for community-based services through adult care homes with excess capacity. Directs implementation on a pilot basis with specified features and a report to the legislature by Jan. 1, 2002, and final report by March 1, 2002.

Funds for Child Support Services. Allocates \$1,500,000 of Dep't appropriations for 2001-2002 to contract for additional child support services in urban counties with significant backlogs.

Mental Health: Liability Insurance. Authorizes Sec'y's of Health and Human Services, Environment and Natural Resources and Correction to provide medical liability coverage up to \$1 million per incident for employees licensed to practice medicine or dentistry, university contract physicians who work for Div. of Mental Health, Developmental Disabilities, and Substance Abuse Services, and university residency training physicians working at Dep't institutions.

Private Agency Uniform Cost Finding Requirement. Permits Dep't to require private service provider under contract with two or more area programs, other than hospital services with established Medicaid rates, to establish a uniform cost.

Butner Community Land Reservation. Directs Dep't to reserve and dedicate certain land for construction of a Community Building to serve Butner Reservation.

Mental Health, Developmental Disabilities, and Substance Abuse Services Reserve for System Reform and Olmstead Decision. Establishes nonreverting reserve fund as title indicates for community alternatives in light of *Olmstead* case. Requires report on allocation of funds to the legislature.

Nonmedicaid Reimbursement Changes. Limits reimbursement of medical service providers under non-Medicaid state programs to rates no higher than provided under Medicaid. Excluded hospital reimbursement at full per diem rates without regard to Medicaid limit on hospital days. Allows negotiated rates for certain purposes. Sets schedule of maximum net family annual income eligibility and sets level of eligibility for other nonmedicaid programs.

Comprehensive Treatment Services Program. Requires Dep't to establish Comprehensive Treatment Services Program for children at risk for institutionalization or other out-of-home placement. Limits use of program funds and requires certain specified services provided subject to specific principles and cost-reduction strategies. Requires inter-agency collaboration to eliminate cost-shifting and facilitate cost-sharing. Bars use of funds for new program services until

execution of a Memorandum of Agreement among affected State and local agencies to address roles and responsibilities. States that program is not an entitlement. Requires report to legislature by Dec. 1, 2001, with final report by April 1, 2002.

Whitaker School. Effective July 1, 2002, closes Whitaker School. Directs development of plan for closure. Provides for reports to legislature, including reports in the event that appropriate institutional settings are not available for children at Whitaker School. Requires Dep't to contract for a comprehensive residential services needs assessment for children at-risk of institutionalization or other out-of-home placement.

Mental Retardation Center Closure. In light of *Olmstead* case, requires Dep't to develop plan for closing at least one State mental retardation center, effective July 1, 2002. Requires progress report to legislature by Feb. 1, 2002, and further report by May 1, 2002.

Dorothea Dix Hospital. In light of *Olmstead* case, directs closure of Dorothea Dix Hospital effective July 1, 2003. Requires Dep't to develop closure plan, including individual transition plans for each patient. Requires reports to legislature on Oct. 1, 2001, Feb. 1, 2002, and May 1, 2002.

Reorganization of Division of Mental Health, Developmental Disabilities, and Substance Abuse Services. Directs Dep't to reduce layers of management as title indicates by eliminating the Hospitals Services Section, eliminating the Mental Retardation/Mental Illness Transition Branch, and consolidating within one section all positions for financial, budgetary, information technology and other administrative support functions in the Division. Requires further study of consolidation feasibility and reports to the legislature by Sept. 1, 2001, and Dec. 1, 2001, with final report by April 15, 2002.

Reduce Administrative Costs of Area Mental Health, Developmental Disabilities, and Substance Abuse Authorities. Directs area authorities or counties administering indicated services to develop and implement plans to reduce local administrative costs. Specifies allowable administrative cost levels as 15% for 2001-2002 and 12% for 2002-2003. Requires reports to legislature on compliance by Oct. 1, 2001, Jan. 1, 2002 and April 15, 2002.

Services to Multiply Diagnosed Adults. Directs Dep't to implement specified guiding principles for provision of services to multiply diagnosed adults and to implement specified cost reduction strategies. Bars use of state funds for purchase of single-family or other residential dwellings to house multiply-diagnosed adults.

Downsizing of Mental Health Retardation Centers. Dep't to implement cost containment and reduction strategies to ensure 4% financial and staff downsizing of each facility. Dep't to manage client population to ensure placements for ICF/MR level of care made in non-state facilities. Savings in excess of \$4 million resulting from downsizing to be identified and placed in Reserve for Mental Health Reform. Funds to be used to facilitate the closing of the facility and the transition of clients into appropriate community-based services and support. Dep't to report on progress in complying with this section to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division on specified dates.

Plan for Construction of Regional Psychiatric Hospital. Sec'y of Dep't of Health and Human Services shall, in consultation with Dep't of Administration, plan for construction of regional psychiatric hospital. Sec'y to identify and recommend most cost-effective means to finance construction of new hospital, taking into consideration GPAC recommendations, MGT America Report of 1998, and Report of Office of State Auditor, April 1, 2000. Progress report on December 1, 2001 and final report by April 1, 2002, to Joint Legislative Comm'n on Governmental Operations, Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division. Dep't to identify alternative locations for the new hospital, and identify alternative locations that maximize existing state funds, access by clients, and efficiencies in service and administration.

Child Care Allocation Formula. Dep't to allocate child care subsidy funds to pay the costs of necessary child care for minor children of needy families. Mandatory 30% Smart Start subsidy is base amount for each county's child care subsidy allocation. Dep't to apply following formula to all federal and state child care funds: 1/3 of budgeted funds distributed according to county's population; 1/3 of budgeted funds distributed according to number of children under 6 in a county who are living in families whose income is below the state poverty level in relation to the total

number of children under 6 in the state in families whose income is below the poverty level; 1/3 of budgeted funds to be distributed according to the number of working mothers with children under 6 whose family income is below 75% of state median income in a county in relation to the total number of working mothers with children under 6 whose family income is below 75% of the state median income in the state. Dep't may reallocate unused child care subsidy funds.

Child Care Funds Matching Requirement. No local matching funds may be required as a condition of any locality's receiving state child care funds unless federal law requires such a match.

Child Care Revolving Loan. Funds budgeted for the Child Care Revolving Loan Fund may be transferred to an institution by the financial institution contracted to operate the Fund.

Early Childhood Education and Development Initiatives. Administrative costs of the NC Partnership for Children, Inc., shall be equivalent to, on an average statewide basis for all local partnerships, not more than 8% of total statewide allocation. Child Development. NC Partnership for Children, Inc., and all local partnerships to use competitive bidding practices in contracting for goods and services on contract amounts as set forth in bill. NC Partnership and all local partnerships required to match at least 50% of total amount budgeted for the Program in each fiscal year as follows: cash contributions equal to at least 15% and in-kind donated resources equal to no more than 5% for a total match requirement of 20% for each fiscal year. Requirements for private match specified. Failure to obtain 20% match by June 30 of each fiscal year shall result in dollar-for-dollar reduction in appropriation for the Program for a subsequent fiscal year.

Child Care Subsidy Rates. Maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be 75% of state median income, adjusted for family size. Fees determined according to formula set forth in bill. Payments for child care services for low-income children shall be in accordance with requirements set forth in bill. Market rate to be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees. Noncitizen families who reside in NC legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, non citizen families who reside in NC illegally shall be eligible for child care subsidies only if at least one of the following conditions is met: (1) child is receiving child protective or foster care services; (2) child is developmentally delayed or at risk of being developmentally delayed; or (3) child is citizen of United States.

Division of Child Development Reorganization. Division to reduce layers of management and streamline operations in accordance with requirements set forth in bill.

Early Childhood Education and Development Initiatives Enhancements. NC Partnership and Dep't to develop policies to ensure Early Childhood Education and Development Funds are allocated to child care programs, providers, and services that serve low-income children, to ensure allocation of state and federal funds to the neediest child care providers with priority given from lowest licensure rating to the highest, to ensure elimination of local duplication and increased efficiency, to ensure unduplicated compilation of children served through state and federal child care subsidy funds, and to ensure timely, accurate and consistent reporting of information on local child care subsidy waiting lists statewide. Dep't to develop policies to ensure children transitioning from child care setting to kindergarten enter school ready to succeed. Dep't to develop a separate NCPA Early Childhood Education and Development Initiative Program budget. Allocation of funds for initiatives to be distributed according to formula in bill. With exception of child care subsidy funds, at no time shall NC Partnership approve local partnership plans which allocate funds to providers in following circumstances: (1) facilities with licensure of four or five stars, unless expenditure is to expand capacity for low-income children; (2) facilities that do not accept child care subsidy funds; or (3) facilities that previously received quality improvement grants whose quality initiatives failed to increase licensure. Allocates \$500,000 for evaluation of initiatives.

Consolidation and Transfer of Program Funds in the Division of Services for the Blind. Div'n of Services for the Blind may consolidate operating budgets for Medical Eye Care Program and Independent Living Program.

Eligibility for Vocational Rehabilitation and Independent Living Services. Dep't to develop a plan to maximize resources for Independent Living Services to ensure they are targeted to most financially needy. Dep't to develop a plan to maximize resources for Vocational Rehabilitation

Services to ensure services are provided for low-income persons, developmentally disabled, and Work First recipients. Report no later than March 1, 2002, by Dep't to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division.

Maximization of Receipts for Early Intervention Programs. Dep't to maximize receipts for early intervention programs.

Create Office of Education Services. Division of Early Intervention and Education dissolved and Office of Education Services created, effective October 1, 2001.

Closure of Central North Carolina School for the Deaf at Greensboro. Central North Carolina School for the Deaf at Greensboro closed immediately, and Dep't of Administration to develop a plan to dispose of the property by October 1, 2001 to Joint Legislation Comm'n on Governmental Operations and Fiscal Research Division.

Closure of Eastern North Carolina School for the Deaf at Wilson and the North Carolina School for the Deaf at Morganton. Dep't to close the North Carolina School for the Deaf at Morganton and the Eastern North Carolina School for the Deaf at Wilson no later than June 30, 2003. Dep't to determine which children, if any, cannot be reasonably and appropriately served in their local school systems, and prepare a plan for their care. Report to be made no later than February 1, 2002, to Senate Appropriates Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. Dep't of Administration to develop a plan for disposing of property. Amends GS 143B-216.32(a) to amend membership requirements for parent members of Council for the Deaf and Hard of Hearing, effective July 1, 2003.

Closing of Preschool Programs for the Deaf. Effective October 1, 2001, Dep't to close the State-operated preschool programs for the deaf.

Early Intervention Pilots. Dep't shall not expand the Student Information Management System pilot program during the 2001-2002 fiscal year. Evaluation and report due by October 1, 2001.

Evaluation of Early Intervention System. Dep't to determine reasons why children are waiting for evaluation services provided by Developmental Evaluation Centers and develop an action plan to reduce the waiting period.

Immunization Program Restitution Policy. Adds GS 130A-158 to require restitution when vaccine is spoiled due to provider negligence.

Immunization Program Funding. Of funds appropriated to Dep't for childhood immunization programs for positions, operating support, equipment, and pharmaceuticals, up to \$1 million for 2001-2002 fiscal year and \$1 million for 2002-2003 fiscal year for activities designed to increase childhood immunization rates.

Prescription Drug Assistance Program. Directs \$500,000 of funds appropriated by bill for each year of 2001-2003 biennium be used to pay the cost of outpatient prescription drugs for persons over 65 not eligible for full Medicaid benefits, whose income is not more than 150% of federal poverty level, and who have been diagnosed with cardiovascular disease or diabetes.

Adolescent Pregnancy Prevention Initiatives. Adds GS 130A-131.5A to establish Teen Pregnancy Prevention Initiatives for primary prevention, secondary prevention, and special projects.

AIDS Drug Assistance Program (ADAP). Dep't to develop a comprehensive information management system on AIDS/HIV clients receiving services from the state. Dep't may use up to \$50,000 of funds appropriated in bill to implement system. HIV positive individuals with incomes at or below 125% of federal poverty level are eligible for participation in ADAP. Dep't to make interim report by January 1, 2002 and final report by April 30, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division on ADAP. Specifies contents of report.

Div'n of Public Health Reorganization. Dep't to reduce layers of management and streamline operations by (1) creating a Section of Financial Management and Support, (2) eliminating Oral Health Section, with positions transferred to the Women and Children's Health Section, (3) consolidating all nurse consultant positions, and (4) consolidate and transfer all health educator positions.

State Laboratory. Dep't and Office of State Controller to develop a five-year equipment replacement schedule for State Lab. Dep't to assess services and address feasibility of

contracting out, assess fees, and report no later than March 1, 2002 to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division on implementation of this section.

Enhancement of State Center for Health Statistics. Transfers Center to Office of the Sec'y and is renamed the Center for Health and Human Services Statistics and Information. Dep't to determine feasibility of transferring existing database contracts to Center and feasibility of creating a unit to manage databases more efficiently. Dep't to consult with the Center in planning management information systems, and evaluate feasibility of operating the center as internal service fund budget. Progress report by October 1, 2001, and final report on March 1, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division. Amends Article 15, Chap. 130A to make conforming changes.

Public Health Prevention Activities Report. Dep't to conduct an inventory of activities in prevention of infant mortality and birth defects, including identification of all in-house and contracted activities. Report due by March 1, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division.

Heart Disease and Stroke Prevention Task Force. Sets dates for sixth and seventh interim report to Governor and General Assembly.

Newborn Hearing Screening Program Report. Dept' shall report unduplicated number of infants screened, number who filed, number receiving diagnostic evaluation, number and types of services provides, and number and types of follow-up services provide by May 1, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division.

Intensive Home Visiting. Dep't shall not contract for evaluation, technical assistance, or any other activity for the Intensive Home Visiting Program during the 2001-2002 fiscal year. In-home visitors must collect data on program participants as a condition of participation. Report due by April 1, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services.

Access to Oral Health Care. Of funds appropriated by Act to Dep't, \$7.5 million for each year of fiscal 2001-2003 biennium shall be used to provide enhanced reimbursement to dentists consists of a significant number of Medicaid-eligible children or Medicaid-eligible elderly or disabled adults, or who provide outreach services to underserved Medicaid-eligible populations as specified in Act.

PART XXII. JUDICIAL DEPARTMENT

Transfer of Equipment and Supply Funds. Funds appropriated in 2001-2003 biennium for equipment and supplies shall be certified in reserve account.

Report on Community Mediation Centers. Adds GS 7A-38.6 to require all community mediation centers currently receiving state funds to report annually to the Mediation Network of North Carolina on the program's funding and activities as specified in section.

Sentencing Services Report. Judicial Dep't to report to Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by April 1, 2002, on the effectiveness of the Sentencing Services Program as specified in bill.

Eliminate Vacant Superior Court Judgeship in District 4B. Amends GS 7A-41(a) to eliminate vacant Superior Court Judgeship in Onslow County.

Business Court. Administrative Office of the Courts to report to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by April 1 of each year on the activities of the North Carolina Business Court, including number of cases hear and number of sessions held outside Superior Court District 18.

Eliminate Unnecessary or Obsolete Reports. Amends GS 7A-348 to eliminate requirement that Director of Administrative Office of the Courts report annually to Joint Legislative Comm'n on Governmental Operations on training and supervision of assistants for administrative and victim and witness services. Amends GS 143-170.4 to eliminate report on publications procedures

manual. Amends GS 143-589 to eliminate requirement for annual report on safety and health activities.

Collection of Worthless Checks Fund. Judicial Dep't may use any balance remaining in Collection of Worthless Checks Fund on June 30, 2001, for purchase or repair of office or information technology.

Authorize Family Drug Treatment Courts to Serve Addicted Parents of Abused and Neglected Children and to Serve Substance-Abusing Juvenile Offenders Who Come under the Courts' Jurisdiction. Amends GS 7A-791 and -792 to add cited goals. Amends GS 7A-793 to provide for local drug treatment court programs. Amends GS 7A-795 and 7A-796 to increase local drug treatment court management committee from 13 to 20 members as specified in Act.

Transfer of Funds to Office of Indigent Defense Services. If requirements for payment to assigned counsel exceed available funds in 2001-2002, Judicial Dep't shall transfer up to \$1.5 million.

North Carolina State Bar Funds. Permits North Carolina State Bar to use up to \$590,00 for each year of 2001-2003 biennium to contract with Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants.

Assistant Public Defender Longevity/Office of Indigent Defense Services Corrections. Makes technical correction to statutory citations and amends GS 7A-498.7 to permit public defender to apply to Administrative Office of the Courts to enter into contracts with local governments for provision by the state of services of temporary assistant public defenders and to specify terms of contracts.

Office of Indigent Defense Services Report. Requires report by March 1 of each year to Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety.

Assistant Public Defenders/Public Defender Office Personnel. Permits Office of Indigent Defense Services to use up to \$238,884 for fiscal 2001-2002 and up to \$224,316 for fiscal 2002-2003 for three new assistant public defender positions. Permits Office to use up to \$170,145 for fiscal 2001-2002 and up to \$154,923 for fiscal 2002-2003 for three new legal assistant, paralegal, investigator, or administrative assistant positions.

Dedicate a Portion of Court Costs to Provide Access to Civil Justice. Amends GS 7A-304(a)(4), -305(a)(2), -306(a)(2), and -307(a)(2) to provide that State Treasurer shall remit \$1.15 of each fee collected to the North Carolina State Bar for services described in GS 7A-474.4. Makes conforming changes to GS 7A-474.1, -474.2, -474.3 and -474.5.

PART XXIII. DEPARTMENT OF JUSTICE

Use of Seized and Forfeited Property Transferred to State Law Enforcement Agencies by the Federal Government. Assets transferred to the Dep't during the 2001-2003 biennium pursuant to 19 U.S.C. 1616a shall be credited to the budget of the Dep't, but Dep't and the Dep't of Correction are prohibited from using these assets without prior approval of the General Assembly.

Private Protective Services and Alarm Systems Licensing Boards Pay for Use of State Facilities and Services. As title indicates.

Certain Litigation Expenses to be Paid by Clients. Provides for cited expenses to be paid by clients.

Reimbursement for UNC Board of Governors Legal Representation. Dep't to be reimbursed for two Attorney II positions to provide legal representation to the University of North Carolina system.

Study Fee Adjustment for Criminal Record Checks. Office of State Budget to study feasibility of adjusting fees charged for criminal record checks conducted by Div'n of Criminal Information of the Dep't. Report and recommendations due to Chairs of the Senate and House Appropriations Committees, the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division on or before March 1, 2002.

Criminal Justice Information Network Report/Add Representative from the Department of Juvenile Justice and Delinquency Prevention to the Board. Board to report by April 1, 2002 to the Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division on operating budget, expenditures, and funds in reserve, and a long-term strategic plan and cost analysis for statewide implementation of the Criminal Justice

Information Network. Amends GS 143-661(b) to add representative from Dep't of Juvenile Justice and Delinquency Prevention.

Provide for Collection of Traffic Law Enforcement Statistics of Stops Made by Certain Local Law Enforcement Agencies. Amends GS 114-10(2a) to define "law enforcement officer" as (1) all state law enforcement officers, (2) law enforcement officers employed by county sheriffs or county police departments, (3) law enforcement officers employed by police departments in municipalities with a population of 10,000 or more, and (4) law enforcement officers employed by police departments employing five or more full-time sworn officers for every 1,000 in population.

Attorney General Retain Receipts. Authorizes Dep't to retain all receipts collected in fiscal 2001-2002 for purchase of automobiles and equipment.

PART XXIV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

S.O.S. Administrative Cost Limits and Repeal Conference Requirement. Permits up to \$450,000 for each year of fiscal 2001-2003 biennium to be used for S.O.S. Program.

Juvenile Crime Prevention Council Grant Reporting, Certification, and Funding of Research-Based Programs. Requires report by May 1 of each year to Joint Legislative Comm'n on Governmental Operations and Appropriations Committees of Senate and House of Representatives of a list of recipients of grants. Counties in which local programs receive funds must certify that funds are not used to duplicate or supplant other programs within the county. By April 1 of each year, Dep't shall report on effectiveness of programs funded by Juvenile Crime Prevention Councils as specified in bill.

Reports on Certain Programs. Project Challenge North Carolina, Inc. shall report to Chairs of the Senate and House Appropriations Subcommittees on Justice and Public Safety by April 1 of each year on alternative disposition and services to juveniles adjudged delinquent or undisciplined.

State Funds May be Used as Federal Matching Funds. Authorizes state funds as matching funds for Juvenile Accountability Incentive Block Grants.

Annual Evaluation of Community Programs. Requires Dep't to conduct an evaluation of Eckerd and Camp Woodson programs, teen court, program that grants funds to local organizations of Boys and Girls Club, Save Our Students, Governor's One-on-One Programs, and multipurpose group homes.

Funding of Teen Court Programs. Terminates all direct General Fund appropriations for Teen Court programs June 30, 2002.

PART XXV. DEPARTMENT OF CORRECTION

Earned Time Credit for Medically and Physically Unfit Inmates. Amends GS 15A-1355 to allow inmates whose medical condition prevents them from being assigned to work release or other rehabilitative activities to earn credit based upon good behavior or other criteria.

Federal Grant Reporting. Dep't of Correction, Dep't of Justice, Dep't of Crime Control and Public Safety, Judicial Dep't, and Dep't of Juvenile Justice and Delinquency Prevention to report by May 1 of each year to Joint Legislative Comm'n on Governmental Operations, Chairs of Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on federal grant funds received.

Limit Use of Operational Funds. Limits funds appropriated to Dep't for personnel and operating expenses approved by General Assembly except as otherwise noted.

Reimburse Counties for Housing and Extraordinary Medical costs for Inmates, Parolees, and Post-Release Supervisees Awaiting Transfer to State Prison System. Authorizes Dep't to use \$40 per day as reimbursement for cited purpose.

Use of Closed Prison Facilities/Alternative Uses for Blue Ridge Correctional Center and Impact Facilities. Requires Dep't to consult with county or municipality in which unit to be closed is located, and permits consultation with private non-profit or profit firm about possibility of converting unit to other use. Sec'y of Correction to consult with Sec'y of Dep't of Juvenile Justice for possible alternative uses of Blue Ridge Correctional Center and facilities used for IMPACT program in Morganton.

Inmate Costs/Medical Budget for Prescription Drugs. Requires report to Joint Legislative Comm'n on Governmental Operations, Chairs of Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives

Appropriations Subcommittees on Justice and Public Safety if cost of providing food and health care to inmates in Division of Prisons exceeds continuation budget amounts. Authorizes use of funds for fiscal 2001-2002 for purchase of prescription drugs for inmates if costs exceed budget. Dep't to review current state contract for purchase of prescription drugs and report findings to Joint Legislative Comm'n on Governmental Operations by February 1, 2002.

Federal Grant Matching Funds. Authorizes Dep't to use up to \$900,000 for federal grant funds.

Structured Sentencing Study. NC Sentencing and Policy Advisory Comm'n to study and review sentencing laws to develop options for slowing the anticipated increase in incarceration over the next ten years. Report to the General Assembly due no later than the convening of the 2002 regular session.

Extend Limits of Confinement for Terminally Ill and Permanently and Totally Disabled Inmates. Amends GS 148-4 to authorize prisoner to leave confines to receive palliative care, only in the case of a terminally ill inmate or a permanently and totally disabled inmate that the Sec'y finds no longer poses a threat to society, and only after consultation with any victims of the inmate or the victims' families.

Energy for Committed Offenders/Contract and Report. Requires report from Energy for Committed Offenders, Inc., for purchase of prison beds for minimum security female inmates during 2001-2003 biennium, with report by February 1 of each year to Joint Legislative Comm'n on Governmental Operations on annual cost per inmate and average daily inmate population compared to bed capacity.

Medium Custody Road Crew Compensation. Authorizes \$8.5 million to reimburse Dep't of Correction for highway-related labor performed by medium custody prisoners.

Clarify the Law Providing for Compensation to Persons Erroneously Convicted and Increase the Amount of Compensation Allowed. Amends GS 148-84 to increase cited amount from \$10,000 to \$20,000 for persons wrongly convicted, with maximum payment increased from \$150,000 to \$500,000. Effective for persons granted a pardon of innocence on or after January 1, 2001.

Scotland Work Release Program. Dep't to expand work release program at Scotland Correctional Center during 2001-2003 biennium.

Reduce Summit House Appropriation. Reduces General Fund Appropriation to Summit House, Inc., by \$139,650 for each year of 2001-2003 biennium. Joint Legislative Corrections and Juvenile Justice Oversight Committee and Fiscal Research Division to review organizational structure of Summit House, Inc.

Change References to the Division of Adult Probation and Parole to the Division of Community Corrections. As title indicates.

Modification of Funding Formula for the North Carolina State-County Criminal Justice Partnership Formula. Permits distribution to cited counties only, and not as discretionary funds. Dep't to report by February 1 of each year to the Chairs of Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the status of the Criminal Justice Partnership Program.

Post-Release Supervision and Parole Commission/Report on Staffing Reorganization and Reduction. Comm'n to report by March 1 of each year to Chairs of Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on updated plan for implementing staff reductions.

Reports on Nonprofit Programs. Requires reports to Joint Legislative Comm'n on Governmental Operations by February 1 of each year on program effectiveness of four nonprofit programs: Harriet's House, Summit House, Women and Risk, and John Hyman Foundation.

Exemption from Licensure and Certificate of Need. Exempts inpatient chemical dependency or substance abuse facilities that provide services exclusively to inmates of Dep't of Correction from licensure under Chapter 122C.

Report on Probation and Parole Caseloads. Dep't to report by March 1 of each year to Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and Joint Legislative Corrections and Juvenile Justice Oversight Committee on caseload averages for probation and parole officers.

Report on Inmates Eligible for Parole. Post-Release Supervision and Parole Comm'n to provide quarterly reports to Joint Legislative Comm'n on Governmental Operations on inmates eligible for parole using format specified in bill.

PART XXVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

Eliminate Department of Crime Control and Public Safety/Relocate Divisions. Abolishes Dep't of Crime Control and Public Safety and State Boxing Comm'n. Transfers Highway Patrol to Dep't of Transportation. Transfers Community Service Work Program of Division of Victim and Justice Services to Dep't of Correction. Requires elimination of 25 vacant positions by June 30, 2002. Transfers Crime Victims Compensation Fund and Rape Victims Compensation Fund to Dep't of Administration. Transfers Alcohol Law Enforcement Division to Dep't of Justice, and requires elimination of four positions. Transfers Emergency Management Position to Dep't of Administration. Transfers Civil Air Patrol to Dep't of Administration. Transfers National Guard Division to Dep't of Administration. Transfers Butner Public Safety Division to Dep't of Health and Human Services. Transfers Law Enforcement Support Services Division to Dep't of Justice. Makes conforming changes to GS 120-70.94.

Annual Evaluation of the Tarheel Challenge Program. Requires report by April 1 of each year on cited program to Chairs of House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety.

Legislative Review of Drug Law Enforcement and Other Grants. Requires Governor's Crime Comm'n to report on State application for grants under State and Local Law Enforcement Assistance Act of 1986, Omnibus Crime Control and Safe Streets Act of 1968, and Anti-Drug Abuse Act of 1986 to House and Senate Appropriations Subcommittees on Justice and Public Safety.

Victims Assistance Network Report. Dep't to report on expenditure of funds allocated to Victims Assistance Network by December 1 of each year to Chairs of House and Senate Appropriations Subcommittees on Justice and Public Safety.

Revise Report on Victims Compensation Fund. Amends GS 15B-21 to add to report the number of pending cases by year received.

Amend the Crime Victims Compensation Act by Increasing Reimbursement for Funeral Expenses and Work Loss and by Providing that Work Loss includes Lost Wages for Time Spent in Court and Court-Related Transportation Costs. Amends GS 15B-2(1) to increase burial charges from \$3,500 to \$4,000. Amends GS 15B-2(14) to include in definition of "work loss" time spent in court attending criminal proceedings directly related to the injury and transportation costs for those proceedings. Increases compensation limits from 26 to 36 weeks, at maximum rate of \$400 per week (was, \$300). Amends GS 15B-11(f) to increase compensation for work loss up to \$400 per week. Effective July 1, 2001, and applies to injuries occurring on or after that date.

Transport of Persons to and From Butner Facilities. Bars use of State funds appropriated for Butner Public Safety for 2001-2003 biennium to transport any individual transferred to or from any State facility within the territorial jurisdiction of the Butner Public Safety Division to or from the psychiatric service of UNC Hospitals at Chapel Hill.

Report on Butner Public Safety. Sec'y of Health and Human Services, in consultation with the Granville County and Durham County Board of County Comm'rs, shall develop a plan for phasing out the state's provision of fire and police protection to the Town of Butner through Butner Public Safety. Sec'y shall report to Joint Legislative Comm'n on Governmental Operations by December 15, 2001.

PART XXVII. DEPARTMENT OF TRANSPORTATION

Repeal Bond Retirement Transfer from Highway Fund to Highway Trust Fund. Repeals GS 136-176(a)(4) and GS 136-183 as title indicates.

Design-Build Transportation Construction Contracts Authorized. Adds GS 136-28.11 to permit Board of Transportation to award up to three contracts annually for construction of transportation projects on a design-build basis.

Small Urban and Contingency Funds. Provides that of funds allocated to Dep't, \$14 million shall be allocated each fiscal year for small urban construction projects, and \$15 million in fiscal 2001-2002 and \$10 million in fiscal 2002-2003 shall be used statewide for rural or small urban highway improvements.

Cash-Flow Highway Fund and Highway Trust Fund Appropriations. Authorizes and certifies anticipated revenues of Highway Fund as follows: FY 2002-2004, \$1.334.6 million; FY 2004-2005, \$1.369.8 million; FY 2005-2006, \$1.406.1 million; and FY 2006-2007, \$1.445.5 million. Authorizes and certifies anticipated revenues of Highway Trust Fund as follows: FY 2003-2004, \$1.127.6 million; FY 2004-2005, \$1.176.5 million; FY 2005-2006, \$1.226.8 million; and FY 2006-2007, \$1.278.4 million.

Western North Carolina Amtrak Thruway Bus Service Operations and Station Right-of-Way Acquisition Funds. Permits Dep't to use cited funds as follows: up to \$200,000 during fiscal 2001-2002 to contract with Amtrak to provide thruway bus service for Western North Carolina; up to \$320,000 during fiscal 2001-2002 to acquire right-of-way for stations in Valdese and Asheville; and up to \$480,000 during fiscal 2001-2002 for other costs associated with Western North Carolina rail service. Transfers \$1 million of remaining unencumbered funds appropriated for the 1998-1999 fiscal year for Western North Carolina rail service to the Highway Fund for the 2001-2002 fiscal year. Dep't to report to Joint Legislative Transportation Committee by March 15, 2002 on status of negotiations with Norfolk Southern Corporation on track improvements and passenger rail service to Western North Carolina.

Highway Trust Fund Study Committee. Creates 14 member committee, consisting of Chairs of Joint Legislative Transportation Oversight Committee, four representatives and two public members appointed by the Speaker of the House of Representatives, and four Senators and two public members appointed by the President Pro Tempore of the Senate. Specifies duties of Committee, procedures for filling vacancies, co-chairs, expenses, staff, with report to be made to Joint Legislative Transportation Oversight Committee no later than April 1, 2002. Upon filing of final report, Study Committee shall terminate.

Charlotte Downtown Intermodal Station. Dep't to report to Joint Legislative Transportation Oversight Committee by February 15, 2002 on status of development of downtown intermodal station in Charlotte.

Division 3 Headquarters Complex Funds. Rescinds requirement that Highway Fund reimburse the Highway Trust Fund for capital cost of relocation Division 3 headquarters.

Department of Transportation Authorized to Accept Electronic Bids. Amends GS 136-28.1 as title indicates.

Department of Transportation Authorized to Establish and Escort Driver Certification Program. Adds GS 20-119 to allow Dep't to issue rules to establish escort driver training and certification program for escort vehicles accompanying oversize/overweight loads.

Transfer Responsibilities of the Governor's Highway Safety Program to the Office of the Secretary of Transportation. Amends GS 143B-360 to transfer all duties and responsibilities of the Governor's Highway Safety Program to the Office of the Secretary of Transportation, effective July 1, 2001.

Some State Aircraft Operations Consolidated. Aircraft operations of the Area Health Education Centers of The University of North Carolina and the Dep't of Commerce merged into the aircraft operations of the Dep't of Transportation. Agencies to report to Joint Legislative Comm'n on Governmental Operations and Joint Legislative Transportation Oversight Committee by October 1, 2001, on results of consolidation.

State Highway Patrol/Division of Motor Vehicles Enforcement Consolidation Study. Sec'y to study possibility of increased efficiencies through consolidation study, with report to Joint Legislative Transportation Oversight Committee and Chairs of Senate and House Appropriations Committees by December 1, 2001.

Drivers License/Motor Vehicle Registration Section Consolidation Study. Dep't to study consolidation and integration of the functions of the Driver License Section and the Vehicle Registration Section of the Division of Motor Vehicles to provide more accessible, efficient, and cost-effective service to the public, with report to Joint Legislative Transportation Oversight Committee by March 1, 2002.

Appropriation to the Department of Transportation to Fund Aviation Grants. Appropriates \$7,250,000 from General Fund to Dep't for fiscal 2001-2002 for cited purpose.

Change Statutory References to "Commissioner of Motor Vehicles." As title indicates.

DOT Regulation of the Transit of Modular Homes. Amends GS 20-356 to exclude from definition of "house" mobile homes or modular homes when being transported from manufacturer.

Adds GS 150B-21.1(a8) to permit Sec'y to adopt temporary rules concerning movement of modular homes.

Asphalt Pavement Recycling. Requires Dep't to recycle pavement surfaces where feasible.

Aviation Division Study the Transfer of the Global Transpark Airport. Division to study transfer of Global TransPark airport fixed assets and operations from Global TransPark Authority to another appropriate entity, with report to Joint Legislative Transportation Oversight Committee by December 15, 2001.

State Board of Community Colleges to Study Transfer of Global Transpark Education and Training Center. Cited study to be made to Joint Legislative Transportation Oversight Committee by December 15, 2001.

PART XXVIII. PUBLIC SCHOOLS

Litigation Reserve Funds Do Not Revert. Permits funds to remain available until June 30, 2002, and authorizes State Board of Education to expend up to \$500,000 for fiscal 2001-2002 from unexpended funds for certified employees' salaries to pay for pending litigation.

Children with Disabilities. State Board to allocate funds for children with disabilities on the basis of \$2,662.87 per child for maximum of 158,825 children for 2001-2002 school year.

Funds for Academically Gifted Students. State Board to allocate funds for academically gifted children on the basis of \$879.10 per child, with local school units to receive funds for a maximum of 4% of its 2001-2002 allocated average daily membership.

At-Risk Student Services/Alternative Schools. Board may use up to \$200,000 of funds in Alternative Schools/At-Risk Student allotment each year for fiscal 2001-2002 and fiscal 202-2003.

Uniform Education Reporting System (UERS). Funds for UERS do not revert, but remain available until expended, effective June 30, 2001.

Supplemental Funding in Low-Wealth Counties. Funds may be used only to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks, and for salary supplements for instructional personnel and instructional support personnel. Local boards of education encouraged to use at least 25% of funds to improve academic performance of children performing at Level I or II on reading or math end-of-grade tests in grades 4 and 7. Defines terms. Makes funds available to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the state average wealth is less than 100%. The amount received per average daily membership for a county shall be the difference between the state average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. Sets formula for distribution of supplemental funding. County may use funds to supplement local current expense funds but not to supplant local per student current expense funds. State Board to report to the Joint Legislative Education Oversight Committee before May 1, 2002, if it determines that counties have supplanted funds. Dep't of Revenue to provide reports to Dep't of Public Instruction on assessed value of property tax base.

Small School System Supplemental Funding. State Board to allocate funds (1) to each county school administrative unit with an average daily membership of fewer than 3,175 students and (2) to each county school administrative unit with an average daily membership of from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county-adjusted property tax base per student that is below the state-adjusted property tax base per student and if the total average daily membership of all local school administrative units located within the county is from 3,175 to 4,000 students. Sets forth allocation formula requirements and nonsupplant requirement. Provides that if local school administrative unit becomes ineligible for funding under formula solely because of an increase in county-adjusted property tax base per student, then funding is phased out over two years. Defines terms and requires report to Joint Legislative Oversight Committee before May 1, 2002, if Board determines that counties have supplanted funds. Local boards encouraged to use at least 20% of funds to improve academic performance of children performing at Level I or II on reading or math end-of-grade tests in grades 4 and 7.

Funds to implement the ABCs of Public Education Program. State Board to use funds appropriated for State Aid to Local School Administrative Units to provide incentive funding for

schools that met or exceeded projected levels of improvement in student performance during 200-2001 school year. Incentive awards may be up to \$1,500 for each teacher and for certified personnel, and \$500 for each teacher assistant. Incentive awards in schools that meet the expected improvements may be up to \$750 for each teacher and for certified personnel, and \$375 for each teacher assistant.

Students with Limited English Proficiency. State Board to develop guidelines for identifying and providing services to students with limited proficiency in English. Sets forth formula for allocation of funds.

Expenditures for Driving Education Certificates. Authorizes State Board to use funds for each year of 2001-2003 biennium for driving eligibility certificates.

Teacher Salary Schedules. Establishes monthly salary schedule for "A" teachers ranging from minimum of \$2,525 to maximum of \$5,083. Establishes monthly salary schedule for "A" instructional support personnel ranging from minimum of \$2,525 to maximum of \$5,083. Establishes monthly salary schedule for "M" instructional support personnel ranging from minimum of \$2,778 to maximum of \$5,591. Provides for salary supplements. Provides for payments of school psychologists, speech pathologists, audiologists, and certified school nurses. Establishes school administrator monthly salary schedules for assistant principals through principal IV with minimum of \$3,226 and maximum of \$6,270. Establishes school administrator monthly salary schedules for principal V through principal VIII with minimum of \$4,218 and maximum of \$7,492. Provides for salary supplements. Establishes central office monthly salaries ranging from minimum of \$2,932 to maximum of \$7,020. Establishes superintendent monthly salaries ranging from minimum of \$4,187 to maximum of \$9,447. Provides for salary supplements.

Noncertified Personnel Salaries. Provides for increased funding for noncertified personnel of \$625 apiece, including funds for retirement and social security contributions.

High School Exit Exams. State Board may use up to \$3 million to continue to develop a high school exit exam, purchase equipment for scoring tests, and revise the reading and writing assessments.

Fairness in Testing Program. State Board to provide the Joint Legislative Education Oversight Committee with a detailed analysis of the current resources available to meet the needs of students subject to Statewide Student Accountability Standards. Amends GS 115C-288(a) to provide that in determining the appropriate grade for a pupil who is already attending a public school, the principal shall consider the pupil's classroom work and grades, scores on standardized tests, and best educational interests of the pupil. Principal shall not make the decision solely on the basis of standardized test scores. If a principal's decision to retain a child in the same grade is partially based on the pupil's scores on standardized tests, those test scores shall be verified as accurate. Amends GS 115C-36 to authorize local boards of education to provide a right to appeal the decision to retain a child. Adds GS 115C-105.41 to provide for personal education plans for students who have been placed at risk for academic failure. Amends GS 115C-174.12(a) to require accommodation for children with disabilities in testing. Requires Joint Legislative Education Oversight Committee to study the State's testing program, and requires State Board of Education to develop and report to the Joint Committee on its objectives for the State's testing program.

Pilot Program Authorizing the Use of Mentor Funds for Full-Time Mentors. State Board to establish a pilot program to permit the Charlotte-Mecklenburg School Administrative Unit and the Wake County School Administrative Unit to use funds allocated for mentors for full-time mentors, with annual report required to State Board. State Board to report on this information to the Joint Legislative Education Oversight Committee.

Study of Programs for Initially Certified Teachers. State Board to study mentor program and performance-based licensure program to determine whether those programs provide adequate support for initially certified teachers and enhance their development. Board to report to Joint Legislative Education Oversight Committee by February 1, 2002.

Phase in ADM Reductions Due to Charter Schools. If local school unit had loss in projected average daily membership (ADM) of greater than 5% due to opening of new charter school within unit, State Board of Education may use funds from Reserve for ADM to assure that funding loss to unit does not exceed 5% in first fiscal year of charter school's operation. Board

must phase out this special allotment in later fiscal years by decreasing amount of special allotment each year by amount of prior year's funding loss. Provides that local school unit that received funds for 2000-2001 fiscal year to reduce loss of funds due to shifts of enrollment to charter schools shall continue to receive funds for 2001-2002 fiscal year in amount of 100% of 2000-2001 allotment and for 20002-2003 fiscal year in amount of 50% of 2000-2001 allotment.

Medicaid Outreach. If claim for Medicaid outreach reimbursement that was submitted by local school unit and paid by federal agency is later found by agency to be inappropriate, Dep't of Public Instruction (DPI) must request that federal agency offset overpaid amount against next quarterly reimbursement due to local school unit. If federal agency does not allow offset, DPI must request repayment from local school unit as provided in agreement. If local school unit receiving overpayments fails to repay overpaid monies within time permitted, DPI may withhold overpaid amount from state funds allocated for central office of local school unit.

Funds for Noninstructional Support Personnel May Be Used for Staff Development. Amends GS 115C-105.25(b) to provide that up to 3% of state funds allocated for noninstructional support personnel may be transferred for staff development.

RESA Funds Shall Be Used for Staff Development. Effective June 30, 20001, provides that funds allocated to local school units for Regional Education Service Alliances (RESA) and not expended before July 1, 2001, shall remain available to local school units for 2001-2002 fiscal year and shall be used for RESA or for staff development.

Study Textbook Distribution System. Requires State Board of Education (Board) to contract for analysis of best and most efficient method to manage textbook distribution to local schools. Board must prepare a Request for Proposals (RFP) outlining scope of analysis required and select private consultant to perform analysis. Before awarding contract, Board must present RFP to Joint Legislative Education Oversight Committee (Committee) for comment. Board must report to Committee on results of consultant's analysis, including Board's recommendations for changes in current system. Board must make final report to Committee by April 1, 2002.

Abolish the North Carolina Professional Teaching Standards Commission and the North Carolina Standards Board for Public School Administration. Amends various statutes in GS Chapter 115C for purpose indicated in title. State Board of Education to administer program.

Guidelines for Charter School Enrollment. Amends GS 115C-238.29D(d) to provide that it is not material revision of charter application and does not require prior approval of State Board of Education (Board) for charter school to increase its enrollment during charter school's second year of operation and annually thereafter (i) by up to 10% of school's previous year's enrollment or (ii) in accordance with planned growth as authorized in charter. Other enrollment growth shall be considered material revision and Board may approve such growth of greater than 10% only if Board makes findings as specified in current version of statute.

Charter School Advisory Committee/Charter School Evaluation. State Board of Education may spend up to \$50,000 annually from State Aid to Local School Administrative Units for 2001-2002 and 2002-2003 fiscal years to continue support of charter school advisory committee and to continue to evaluate charter schools.

Teacher Academy. Amends GS 115C-30.01(a) to provide that network must include professional development programs that focus on teaching strategies for teachers assigned to at-risk schools. State Board of Education must specify professional development programs for teachers assigned to smaller classes in kindergarten through fifth grade. Teacher Academy must use at least 10% of its budget for 2001-2002 fiscal year to deliver these programs to teachers.

Modify Law Regarding Children with Disabilities. Amends GS 115C-121 to change membership on Council on Educational Services for Exceptional Children as follows: (1) removes ex officio member from UNC Planning Consortium for Children with Special Needs; (2) Governor to appoint one person with disability and one representative of private school; (3) Senate Pres. Pro Tem. to appoint one Senator and one parent of child with disability; (4) House Speaker to appoint one House member and one parent of child with disability; (5) State Board of Education to appoint 13 members (now, 12) as specified in statute. Requires that Joint Legislative Education Oversight Committee, in consultation with Dep't of Public Instruction, must examine state laws governing special education and related services for children with disabilities to identify and recommend statutory changes to bring state law in conformity with recent federal law changes. Committee to report to 2002 session on recommended changes.

Closing the Achievement Gap. Amends GS 115C-105.35 to provide that beginning with school year 2002-2003, State Board of Education (Board) must include a "closing the achievement gap" component in its measurement of educational growth in student performance for each school. Board must report its plan to include measurement of "closing the achievement gap" for each school to Joint Legislative Education Oversight Committee (Committee) by Sept. 1, 2001. Adds new GS 115C-12(30) to add duty to Board to adopt model guidelines and policies for establishment of local task forces on closing academic achievement gap. Amends GS 115C-12(27) to provide that Board must report annually to Committee and Comm'n on Improving Academic Achievement of Minority and At-Risk Students (Comm'n) on numbers of students who have dropped out of school, been suspended, expelled, or placed in an alternative program. Data must be reported in disaggregated manner and be readily available to public. Changes Comm'n interim reporting date to April 1, 2002 and final report to Jan. 10, 2003. Provides the Comm'n must determine extent to which additional fiscal resources are needed to close academic achievement gap and keep it closed.

Clarify Law Regarding Mentors for Second-Year Teachers. Provides that funds to provide mentors for teachers during their second year of teaching may be used to provide mentors for teachers whose first year of teaching was in public school in NC or another state, private school, or charter school.

Funds for Testing and Implementation of New Student Information System. State Board of Education may transfer up to \$1 million in funds appropriated for Uniform Education Reporting System for 2001-2002 fiscal year to Dep't of Public Instruction to lease or purchase equipment necessary for testing and implementation of NC WISE, the new student information system in public schools.

Expenditure of Funds to Improve Student Accountability. Provides that funds appropriated for 2001-2002 and 2002-2003 fiscal years for Student Accountability Standards must be used to assist students in performing at or above grade level in reading and mathematics in grades 3-8 as measured by end-of-grade tests. State Board of Education must allocate these funds to local school units based on number of students who score at Level I or Level II on either reading or mathematics end-of-grade tests in grades 3-8. Funds in this allocation category shall be used to improve academic performance of (i) students who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and (ii) students who are performing at Level I or II on writing tests in grades 4 and 7. Funds may also be used to improve academic performance of student who are performing at Level I or II on high school end-of-grade tests. Funds shall be allocated to local school units for 2001-2002 fiscal year within 30 days of date act becomes law. Funds appropriated for Student Accountability Standards shall not revert at end of each fiscal year but shall remain available for expenditure until August 31 of later fiscal year.

Study the Salaries of School Food Service Workers and Custodians. As title indicates. Joint Legislative Education Oversight Committee to report its findings to 2002 session.

Funds to Nonprofit School Agencies. Funds in amount of \$2.5 million are appropriated in act to State Board of Education to contract with nonprofit school agencies for services.

Character Education. State Board of Education must use funds appropriated in act to develop model character education curriculum for public schools. Board may contract with outside consultant to develop curriculum.

Study of Salary Differentials for Support Personnel. Joint Legislative Education Oversight Committee must study salary differentials for instructional and noninstructional support personnel and report its recommendations to 2002 session.

Flexibility to Implement Base Budget Reduction. Dep't of Public Instruction may use salary reserve funds and other funds in its continuation budget to transfer and reclassify positions as necessary to implement based budget reductions for 2001-2003 biennium.

Funds for Instructional Supplies. Provides that funds appropriated in act for classroom/instructional supplies/equipment must be used to enable classroom teachers to purchase up to \$200,000 of supplies for their classrooms. Local school units must report to Dep't of Public Instruction by Dec. 15, 2001 on implementation of this provision.

Transfer of the NC Wiseowl Web Site to the Department of Cultural Resources. As title indicates, effective July 1, 2002.

Bertie and Rutherford Counties May Acquire Property for Public Schools. Amends GS 153A-158.1(e) as title indicates.

PART XXIX. HIGH PRIORITY SCHOOL ASSISTANCE AND ACCOUNTABILITY.

Immediate Assistance to the Highest Priority Elementary Schools. Provides that of funds appropriated from General Fund to State Aid to Local School Administrative Units, \$10,876,438 for 2001-2002 fiscal year and \$12,237,913 for 2002-2003 fiscal year must be used to provide state's lowest-performing elementary schools with tools need to dramatically improve student achievement. Funds must be used for 37 elementary schools at which, for 1999-2000 school year, over 80% of students qualified for free or reduced-price lunches and no more than 55% of students performed at or above grade level. Additional breakdown of these funds provided in act.

Immediate Actions to Address Teacher Shortage. Provides that of funds appropriated from General Fund to State Aid to Local School Administrative Units, \$2.5 million for each year of 2001-2003 biennium must be used to expand pool of qualified teachers and to provide recruitment and retention incentives to attract and retain high-quality teachers to low-performing schools and schools with shortages of teachers in certain certification areas. Additional breakdown of these funds provided in act. Joint Legislative Education Oversight Committee must study (1) effectiveness of providing benefits to part-time teachers as means to recruit certified teachers back into classroom and report by April 1, 2002; and (2) potential effectiveness of increasing size of Teaching Fellows Program to improve supply of qualified teachers for public schools.

Comprehensive Assistance to Continually Low-Performing Schools. Adds new GS 115C-105.37A to set out specified assistance to continually low-performing schools (defined as schools having received state-mandated assistance and having been designated by State Board of Education as low performing for at least two of three consecutive years).

Additions to the Local Superintendent's Plan to Improve a Low-Performing School. Amends GS 115C-105.37(a1) to provide that preliminary plan include how superintendent and other central office administrators will work with school and monitor school's progress.

Appropriations for Continually Low-Performing Schools. Provides that of funds appropriated from General Fund to State Aid to Local School Administrative Units, \$1,807,256 for 2001-2002 fiscal year and \$1,986,691 for 2002-2003 fiscal year must be used to provide state's chronically low-performing schools with tools to dramatically improve school achievement. Additional breakdown of these funds provided in act, which involve reduction of class size and additional staff development.

Evaluation of Initiatives to Assist High Priority Schools. Provides that of funds appropriated from General Fund to State Aid to Local School Administrative Units, \$500,000 for each year of 2001-2003 biennium must be used by State Board of Education to contract with outside organization to evaluate initiatives in act. Board to make initial report to Joint Legislative Education Oversight Committee by Dec. 1, 2002 and annually thereafter.

Allocation of Federal Funds for Priority Schools. Provides that State Board of Education must make every effort to coordinate use of state and federal funds to avoid duplication or overlap of services and to ensure that benefits of smaller class sizes accrue to as many at-risk students as possible.

PART XXX. COMMUNITY COLLEGES

Community College Funding Flexibility. Provides that local community college may use all state funds allocated to it, except for Literacy Funds and Funds for New and Expanding Industries, for any authorized purpose consistent with college's Institutional Effectiveness Plan. No more than 2% system wide shall be transferred from faculty salaries without approval of State Board of Community Colleges. Board must report on any such transfers above 2% system wide to Joint Legislative Comm'n on Governmental Operations.

Permit Transfers of Funds to the New and Expanding Industry Training Program. Allows Director of Budget, after consultation with Joint Legislative Comm'n on Governmental Operations, to transfer funds from any agency or program funded from General Fund to New and Expanding Industry Training Program to supplement program's needs during 2001-2003 biennium.

Reorganization of the Human Resources Development Program. Requires State Board of Community Colleges to establish committee to develop and recommend to Board a core series of employability skills training classes that should be coded in Continuing Education Master Course List as Human Resources Development. Provides for waiver of tuition and fees as set out in act.

Board must study feasibility of integrating delivery of human resource development services into framework of JobLink Career Centers and report its recommendations to Joint Legislative Education Oversight Committee (Committee) by May 1, 2002. Board to report to Committee on its reorganization of Human Resources Development Program by Jan. 1, 2003.

Management Information System Funds. Funds appropriated for Community Colleges System Office Management Information System shall not revert at end of 2000-2001 and 2002-2003 fiscal years but shall remain available until expended.

Employment Security Comm'n Funds. Appropriates from Employment Security Comm'n Training and Employment Account to Community Colleges System Office for 2001-2002 fiscal year: \$18,030,725 for equipment funds; \$7 million for new and expanding industry training programs; and \$1.5 million for focused industrial training programs.

Modify Term of Community College Faculty Contracts. Requires State Board of Community Colleges to convert all faculty contracts to nine-month contracts covering fall and spring semesters, with supplemental contracts for summer terms.

Realignment of Accounts for Institutional and Administrative Support. Beginning with 2001-2002 fiscal year, state aid accounts 536938 through 536941 must be consolidated into single state aid account for institutional and academic support.

Study of Discrepancies in Faculty Salaries. Requires Joint Legislative Education Oversight Committee to study discrepancies in community college faculty salaries and report its findings to 2002 session.

State Board Reserve Allocations. State Board of Community Colleges must use funds from State Board Reserve in amount of \$100,000 for each fiscal year to assist small rural low-wealth community colleges with operation and maintenance of plant costs if they need to assist new or expanding industries in their service delivery areas.

Consolidate and Coordinate Workforce Development Programs. Bureau of Training Initiatives funded by Worker Training Trust Fund is transferred from Dep't of Labor to Community Colleges System. No changes in organizational structure of transferred programs, other than those provided by act, may take place before Oct. 1, 2001. State Board of Community Colleges must present plan for such changes to Joint Legislative Education Oversight Committee no less than 30 days before they are proposed to become effective. Makes similar transfer of Apprenticeship Program in Dep't of Labor to Community Colleges System. Effective July 1, 2001, establishes within Dep't of Commerce an Ass't Sec'y for Employment Services and Workforce Development that must be supported by appropriate receipt funds from Comm'n on Workforce Development and Employment Security Comm'n. Except as otherwise provided, all divisions, sections, offices, and activities of Employment Security Comm'n are transferred into Dep't of Commerce. Administration of Unemployment Insurance Program, Job Service Program, Labor Market Information Program, and any other administrative functions of Employment Security Comm'n are transferred to Ass't Sec'y for Employment Services and Workforce Development. Comm'n to continue as body responsible for adjudicating claims in Unemployment Insurance Program and to be housed administratively under Dep't of Commerce. Adds new GS 96-3(e) to provide that Chairman of Comm'n on May 15, 2001, shall serve as Ass't Sec'y for Employment Services and Workforce Development in Dep't of Commerce during that person's continuance in office as chairman. Requires Sec'y of Dep't of Commerce to report to Joint Legislative Comm'n on Governmental Operations by April 1, 2002, on organizational structure of workforce development programs within dep't on issues specified in act. Effective July 1, 2001, Divisions of Services for Blind, Social Services, Deaf and Hard of Hearing, Child Development, Vocational Rehabilitation and any other divisions within Dep't of Health and Human Services are directed to plan and budget funds, staff, and services to support and participate in One-Stop (JobLink) Career Center Delivery System. Effective July 1, 2001, delivery of federal and state funded workforce development services administered by Comm'n on Indian Affairs must be delivered through appropriate JobLink Career Centers.

Transfer of Cash Balances. Remaining cash balance on June 30, 2001, and any interest credited to account in 2001-2002 fiscal year in Community Colleges System Budget Code 66800, Fund Code 6101 DCC Scholarships must be transferred to Budget Code 66800, Fund Code 6102 CCS Financial Assistance to support Need Based Financial Aid programs.

Asheville-Buncombe Technical Community College Funds Do Not Revert. Effective June 30, 2001, funds appropriated to cited college for its Small Business Center shall not revert at end of 2000-2001 fiscal year, but remain available for expenditure in 2001-2002 fiscal year for capital facilities and operating expenses.

Maintenance of Plant Operations. Amends GS 115D-31.2 to provide that each college that qualifies for funds must receive pro rata amount of funds that are appropriated for the purpose set out in the section. Also provides that section does not apply to college that has contract with all of counties in its service area setting out division of maintenance of plant funds.

PART XXXI. UNIVERSITIES

Aid to Private Colleges. Adds new GS 116-21.1 to require appropriations each fiscal year to UNC Board of Governors for aid to private colleges to aid NC students under GS 116-19 and to provide that funds appropriated in compliance with section must be placed in separate, identifiable account in each eligible institution's budget or chart of accounts. Adds new GS 116-21.2 to grant to each full-time NC undergraduate student attending approved institution as defined in GS 116-22, sum to be determined by General Assembly for each academic year. Sets out provisions on administration of grants. Expenditures may not be used for any student (1) incarcerated in state or federal correctional facility for committing Class A, B, B1, or B2 felony; or (2) incarcerated in state or federal correctional facility for committing Class C through I felony and is not eligible for parole or release within 10 years. Adds new GS 116-21.3 to provide that no legislative tuition grant funds may be expended for program at off-campus site or private institution established after May 15, 1987, unless (i) private institution offering program has previously notified and secured agreement from other private institutions operating degree programs in county in which off-campus program is located or operating in counties adjacent to that county, or (ii) degree program is neither available nor planned in county with off-campus site or in counties adjacent to that county. Funds appropriated in act shall provide under GS 116-19, 116-21, 116-21.1, and 116-22, up to \$1,100 per full-time equivalent NC undergraduate student enrolled at institution as of Oct. 1, 2001, for 2001-2002 fiscal year and up to same amount for student enrolled at institution as of Oct. 1, 2002, for 2002-2003 fiscal year. Funds appropriated in act shall provide under GS 116-21.2 legislative tuition grants to each full-time NC undergraduate up to \$1,800 for 2001-2002 academic year and same amount for 2002-2003 academic year.

Academic Common Market Pilot Program. Authorizes UNC Board of Governors to establish pilot program for participation in Southern Regional Education Board's Academic Common Market at the graduate program level. Sets out program specifics in act.

Aid to Private Medical Schools/Funding Formula. Adds new GS 116-21.3 to set out funding formula for continuation of financial assistance to medical schools of Duke University and Wake Forest University. Disbursement to Wake Forest University must be made in the amount of \$8,000 for each medical student who is NC resident, \$1,000 of which shall be placed by school in fund to be used to provide financial aid to needy NC students who are enrolled in medical school. Similar provision for Duke University, except amounts are \$5,000 and \$500, respectively.

Study Professional Development Programs for Public School Professionals. Amends GS 115C-12(26) to provide that State Board of Education must identify state and local needs for professional development for professional public school employees based upon state's educational priorities for improving achievement, and recommend strategies for addressing these needs. Board to report findings to Joint Legislative Education Oversight Committee, Senate Pres. Pro Tem., House Speaker, and UNC Board of Governors before Jan. 15, 2002. Board must evaluate reports submitted by Board of Governors under GS 116-11(12a) to determine whether programs for professional development provided by Center for School Leadership Development address state and local needs identified by State Board of Education and whether programs are using strategies identified by State Board. Requires Joint Legislative Education Oversight Committee to hire independent consultant to study and make recommendations concerning professional development for public school professionals in NC, review consultant's findings and recommendations, and submit committee's recommendations to 2002 session.

Teacher Assistant Scholarship Fund. Adds new GS 116-209.35 to create Teacher Assistant Scholarship Fund to provide scholarships to teacher assistants who are pursuing college degrees to become teachers. State Education Assistance Auth'y to administer fund. Of

funds appropriated to UNC Board of Governors \$1 million must be allocated to Auth'y to implement fund.

UNC Budget Flexibility/Must Honor Budget Reductions. Provides that neither Office of General Administration of UNC nor any special responsibility constituent institution may expend or use any of following funds to modify budget reductions imposed by act: (1) General Fund moneys appropriated by act; and (2) General Fund current operations appropriations credit balances remaining at end of fiscal year that are carried forward to next fiscal year.

Offer Model Teacher Education Programs Through Distance Education. Establishes two pilot programs based on "2 + 2" model to be located at Appalachian State University and UNC at Wilmington. Requires UNC Board of Governors to report to Joint Legislative Education Oversight Committee annually concerning model teacher education pilot programs established by act.

UNC Exempt from State Surplus Property Agency/Retain Receipts from Sale of Recyclable Materials or from Recycling Activities. Adds new GS 143-64.6 to provide that UNC Board of Governors may adopt rules and procedures for sale of supplies, materials, and equipment of constituent institutions that are surplus, obsolete, or unused. Each constituent institution may retain receipts derived from transfer or sale of recyclable material and may use the receipts to defray costs of its recycling activities.

Substitution of UNC-CH Bond Projects/Local Zoning Authority Exemption for Horace Williams Campus. Substitutes "Information Technology Office Facility" for "Comprehensive Renovation and Conversion for Information Technology and Data Processing" in UNC-Chapel Hill bond projects. Amends GS 160A-392 to provide that erection, construction, or use of buildings located on main campus or Horace Williams campus of UNC at Chapel Hill shall not be subject to zoning auth'y of municipality or any local act.

Masters Ed. Administration at A & T State, NCCU, UNC-Pembroke/Study Possible Pharmacy School at ECSU. UNC Board of Governors must include Master of School Administration program at NC A & T University, NC Central University, and UNC at Pembroke. UNC Board of Governors must study feasibility of establishing School of Pharmacy at Elizabeth City State University; Board must report its findings and recommendations to Joint Legislative Education Oversight Committee by April 1, 2002.

UNC Board of Governors May Authorize Management Flexibility for Special Responsibility Constituent Institutions. Adds new Part 3A to Art. 1 of GS Ch. 116 for purpose indicated in title. Among its provisions are the following: (1) Board of Trustees shall, on recommendation of Chancellor, appoint and fix compensation of vice-chancellors, senior academic and administrative officers, and any person having permanent tenure at its institution.(2) Board of Trustees may recommend to UNC Board of Governors tuition and fees for program-specific and institution-specific needs at its institution without regard to whether an emergency exists and not inconsistent with actions of General Assembly. Institution shall retain any tuition and fees set pursuant to this authority for use by institution. (3) Employees of institution are considered employees of state and are subject to all provisions of state law relevant to state employees; provided, however, except as to provisions of Articles 5, 6, 7, and 14 of Ch. 126 of General Statutes, provisions of that chapter shall not apply to employees of institution, and policies and procedures governing terms and conditions of employment of employees shall be adopted by institution's Board of Trustees. Concerning employees who are faculty, no policies and procedures may be inconsistent with policies established by, or adopted pursuant to delegation from UNC Board of Governors. Sets out details of authority of Board of Trustees to set personnel policies. (4) Board of Trustees shall establish policies and rules for acquiring or disposing of any interest in real property for use of its institution. Specifies review by State Property Office. (5) Board of Trustees shall establish policies and rules governing institution's purchasing and surplus property requirements. Specifies review by Division of Purchase and Contract. (6) Board of Trustees shall establish policies and rules governing institution's planning, acquisition, implementation, and delivery of information technology and telecommunications. Specifies review by Office of Information Technology Services. (7) Requires Board of Trustees to report to UNC Board of Governors its adoption of any policies, procedures, and rules discussed above.

PART XXXII. SALARIES AND EMPLOYEE BENEFITS

Governor and Council of State/No Salary Increases. Provides no salary increases for Governor and members of Council of State.

Nonelected Department Head/No Salary Increases. Provides no salary increases for nonelected dep't heads.

Certain Executive Branch Officials/No Salary Increases. Provides no salary increases for certain executive branch officials, such as chairmen, Alcoholic Beverage Comm'n, Parole Commission, and Utilities Comm'n; State Controller; Comm'r of Banks.

Judicial Branch Officials/No Salary Increases. Provides no salary increases for certain judicial branch officials, such as appellate justices and judges, and superior and district court judges. Sets average salaries of assistant district attorneys and assistant public defenders at \$60,191 and minimum salaries at \$31,035, effective July 1, 2001; both average salary figures are increases of \$625. Effective July 1, 2001, salaries are increased by \$625 for full-time employees of Judicial Dep't whose salaries are not otherwise set out in act.

Clerk of Superior Court Salary Increases. Effective July 1, 2001, amends GS 7A-101(a) to increase by \$625 annual salary schedules of clerk of superior court.

Assistant and Deputy Clerks of Court/Salary Increase. Effective July 1, 2001, amends GS 7A-102(c1) to increase by \$625 annual minimum and maximum salary schedules of assistant and deputy clerks of superior court.

Magistrates' Salary Increases. Effective July 1, 2001, amends GS 7A-171.1 to increase by \$625 various annual salary schedules of magistrates.

General Assembly Principal Clerks. Effective July 1, 2001, amends GS 120-37(c) to increase by \$625 annual salary of principal clerks.

Sergeant-At-Arms and Reading Clerks. Effective July 1, 2001, amends GS 120-37(b) to increase by \$625 weekly salary of sergeant-at-arms and reading clerks.

Legislative Employees. Requires Legislative Services Officer to increase salaries of nonelected employees of General Assembly for fiscal year 2000-2001 by \$625.

Community Colleges Personnel/Salary Increases. Effective July 1, 2001 provides funds to Community Colleges Systems Officer for average annual salary increase of \$625 for permanent full-time community college institutional personnel supported by state funds.

University of North Carolina System/EPA Salary Increases. Director of Budget must transfer to UNC Board of Governors funds to provide annual average salary increase of \$625 for UNC employees, except teachers of School of Science and Mathematics, whose salaries are exempt from State Personnel Act. Funds to be allocated to individuals according to rules adopted by Board of Governors. Provides for average annual increase of 2.86% for teaching employees of Schools of Science and Mathematics; funds to be allocated to individuals according to rules adopted by Board of Governors. All provisions are effective July 1, 2001.

Most State Employees. Effective July 1, 2001, provides for salary increase of \$625 for permanent full-time state employees other than those employees whose salaries are set elsewhere in act. Provides for pro rata increase for permanent part-time state employees. Authorizes state agencies and dep'ts to increase on equitable basis the rate of pay of temporary and permanent hourly state employees, subject to availability of funds in particular agency or dep't, effective July 1, 2001.

All State Supported Personnel. Technical provisions.

Temporary Sales Tax Transfer for Wildlife Resources Comm'n Salaries. Technical provisions.

Clean Water Management Trust Fund Personnel. Makes employees of Clean Water Management Trust Fund exempt from State Personnel Act.

Amend Salary Reserve. Effective when act becomes law, adds new GS 143-23.3 to provide that any proposed employee salary increases to be funded from salary reserves within any individual state agency that may cause either: (i) salary increase for all positions in single position classification, or (ii) intraagency-wide salary increases across multiple individual position classifications, shall not be granted until Director of Budget has first consulted with Joint Legislative Comm'n on Governmental Operations. Provision does not apply to proposed employee salary increases to be funded out of salary reserves for faculty positions at constituent UNC institutions. Provides that salary reserve may be used only for following: (1) increase salary of other positions due to promotion or reclassification; (2) fill position at salary higher than that at which position was vacated; or (3) create new position provided position is first approved by act of General Assembly.

Salary Adjustment Fund. Any remaining appropriations for legislative salary increases not required for that purpose may be used to supplement Salary Adjustment Fund.

State Employee Health Plan Changes. Effective July 1, 2002, adds new GS 135-39.5(26) to authorize executive administrator and Board of Trustees to increase annually amount of annual deductible and annual aggregate maximum deductible, using CPI-Medical Index as specified in act. (The following provisions discussed in this paragraph are effective July 1, 2001.) Amends GS 135-40.1(2) to increase from \$250 to \$400 annual deductible for employee, retired employee, or dependent and from \$750 to \$1,200 annual aggregate deductible. Repeals GS 135-40.5(d) (second surgical opinions required under certain circumstances). Amends GS 135-40.5(g) to increase copayment: (1) from \$15 to \$25 for each branded prescription; (2) from \$20 to \$35 for each branded prescription with generic equivalent drug; and (3) from \$25 to \$40 for each branded or generic prescription not on formulary used by plan. Prescriptions shall be for no more than a 30-day (now, 34-day) supply for purposes of copayments. Provides that plan and its pharmacy benefit manager shall not provide coverage for growth hormone and weight loss drugs and anti-fungal drugs for treatment of nail fungus and botulinum toxin, and other outpatient drugs authorized by executive administrator, without approval in advance by pharmacy benefit manager. Amends GS 135-40.6 to increase from \$1,000 to \$1,500 maximum out-of-pocket expenses per fiscal year as provided in section. Amends GS 135-40.6(1)f. to include speech and occupational therapy along with physical therapy. Amends GS 135-40.6(3) to limit skilled nursing facility benefits to maximum of 80 days per fiscal year. Amends GS 135-40.6(8)m. change maximum cardiac rehabilitation charges from \$650 to greater of \$1,300 or 60 days per fiscal year and makes changes in scope of coverage. Amends GS 135-40.6(9)f. to delete exclusion from coverage for therapeutic shoes for diabetes or other high risk conditions. Amends GS 135-40.6A(b) to authorize procedures to require prior medical approval for varicose vein surgery, botulinum toxin, and outpatient prescription drugs for growth hormone, weight loss, and anti-fungal drugs for treatment of nail fungus. Amends GS 135-40.9 to increase maximum lifetime benefit from \$2 million to \$5 million.

Salary-Related Contributions/Employers. Sets state's employer contribution rates for retirement and related benefits for various retirement plans for each year of 2001-2003 biennium.

Provide Cost-of-Living Increases for Retirees of the Teachers' and State Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System. Provides for 1.6% increase.

Increase Local Retirement Benefits. Provides for 1.7% increase.

Optional Retirement Program for the North Carolina Community Colleges System. Effective Jan. 1, 2002, adds new GS 135-5.4 to create optional retirement program for state-funded community colleges as specified in section.

To Shorten the Amount of Time Retired Teachers Must Be Retired Before They Return to Work. Effective July 1, 2001 and expires June 30, 2003, amends GS 135-3(8)c. and GS 115C-325(a)(5a) to reduce time from twelve to six months.

Retirement System Actuary. Requires State Treasurer to report to General Assembly no later than Dec. 31, 2001, about effectiveness of actuarial services for specified retirement systems and whether future selection should be made after competitive bid process.

University System Optional Retirement Plan for Senior Administrators/AG Extension. Amends GS 135-5.1(a) to extend eligibility for optional retirement program to field faculty of Cooperative Agriculture Extension Service and tenure track faculty in NC State University agriculture research programs who are exempt from State Personnel Act and who are eligible for membership in Teachers' and State Employees' retirement system.

PART XXXIII. CAPITAL APPROPRIATIONS

Capital Improvements-General Fund	2001-2002
Dep't of Environment and Natural Resources	32,936,000
Repairs and Renovations Reserve Account	100,000,000
TOTAL	132,936,000

Effective June 30, 2001 and for 2000-2001 fiscal year only, provides that funds shall not be reserved to Repairs and Renovations Reserve Account (Account), and State Controller shall not transfer funds from unreserved credit balance to Account on June 30, 2001.

Water Resources Development Project Funds. Dep't of Environmental and Natural Resources to allocate funds appropriated in act for water resources development projects to following projects whose costs are as indicated:

Name of Project	2001-2002
Wilmington Harbor Deepening	22,000,000
Morehead City Harbor Maintenance	500,000
Wilmington Harbor Maintenance	200,000
Manteo (Shallowbag) Bay Channel Maintenance	2,500,000
B. Everett Jordan Lake Water Supply	100,000
John H. Kerr Reservoir Operations Evaluation	400,000
Brunswick County Beaches Nourishment Supplement	927,000
Wrightsville Beach Nourishment	518,000
Dare County Beaches design	338,000
Indian Beach-Salter Path Nourishment	900,000
Bogue Banks Beach Protection Study	350,000
Surf City/North Topsail Beach Protection Study	150,000
West Onslow Beach Protection Re-Analysis (Topsail Beach)	116,000
Currituck Sound Water Management Study	200,000
Deep Creek Yadkin County	500,000
State Local Projects (individual projects specified in act)	2,000,000
Aquatic Weed Control Lake Gaston and Statewide	200,000
Adkin Branch Flood Control	120,000
Neuse River Basin Flood Control Feasibility Study	100,000
Little Sugar Creek Restoration projects	360,000
Emergency Flood Control Projects	187,000
Projected Feasibility Studies	120,000
Planning Assistance to Communities	150,000
Total	32,936,000

Requires Dep't to make quarterly reports (as specified in act) on use of these funds to Joint Legislative Comm'n on Governmental Operations, Fiscal Research Division, and Office of State Budget and Management.

Part XXXIV MAKE TAXES EQUITABLE BY REMOVING UNFAIR LOOPHOLES.

Equalize Taxation of HMOs and Medical Service Companies. Effective for taxable years beginning on or after Jan. 1, 2001, amends GS 105-228.5(a) to make health maintenance organizations subject to taxes on gross premiums and amends GS 105-228.5(d) to set tax at 1% of gross premiums. Amends GS 105-228.5(c) to exempt from tax the following premiums, to extent federal law prohibits their taxation under article: (1) federal employees health benefits plan premiums; and (2) Medicaid or Medicare premiums.

Equalize Taxation of Satellite TV and Cable TV. Effective for sales made on or after Oct. 1, 2001, adds new GS 105-164.4(a)(6) to provide that rate of 6% applies to gross receipts derived from providing cable television service to subscribers in state and to gross receipts derived from providing direct-to-home satellite services in state. If any gross receipts derived from providing cable television service are subject to franchise tax during reporting period, rate of tax levied under this article on those gross receipts for that reporting period is reduced by rate of franchise tax levied on gross receipts under GS 153A-154 or 160A-214, as applicable, for reporting period.

Eliminate the Exemption on Sales of Fertilizers and Seed to Non-Farmers. Effective for sales made on or after August 1, 2001, amends GS 105-164.13(1) and (2) for purpose indicated in title.

Tax All Telecommunications Services Equally. Adds definitions of "mobile telecommunications service," "prepaid telephone calling arrangement," "service address," and "telecommunication service" to GS 105-164.3. Repeals GS 105-164.3(25) (definition of utility). Deletes references to local telecommunication service in GS 164.4(a)(4a) so 3% rate applies only to gross receipts derived from sales of electricity. Rewrites GS 105-164.4(a)(4c) so it provides that rate of 6% applies to gross receipts derived from providing telecommunications service, and telecommunications service is taxed under new GS 105-164.4B (discussed below). Adds new GS 105-164.4(a)(4d) to provide that sale or recharge of prepaid telephone calling arrangements is

taxable at general rate of tax; tax applies regardless of whether tangible personal property, such as a card or telephone, is transferred; prepaid telephone calling arrangements taxed under this subdivision are not subject to tax as telecommunications device; prepaid telephone calling arrangements are taxable at point of sale instead of at point of use.

Adds new GS 105-164.4B to provide that gross receipts derived from providing telecommunications service in state are taxed at rate set in GS 105-164.4(a)(4c) (see discussion above). Provides that mobile telecommunications service is provided in state if customer's service address is in state and call originates or terminates in state. Specifies in detail what is or is not included in gross receipts derived from telecommunications service. Specifies when tax applies to gross receipts from taxable service in bundle when service is bundled with service that is not taxable. Sets manner of taxation of gross receipts derived from interstate private communications service. Sets \$50,000 limit on gross receipts tax on call center under specified circumstances. Amends GS 105-164.16(c) to require monthly return, thus eliminating quarterly return.

Adds new GS 105-164.44F to provide for distribution to cities of part of telecommunications taxes imposed by GS 105-164.4(a)(4c). Sec'y must make distribution within 75 days after end of each calendar quarter. Amount that must be distributed is 18.62% of net proceeds of taxes collected during the quarter, minus \$2,620,948. Contains additional provisions on share to cities depending on when they were incorporated. Repeals GS 105-120 (franchise or privilege tax on telephone companies). Adds new GS 105-467(6) to limit to 1% sales tax on the sales price of prepaid telephone calling arrangements taxed as tangible personal property under GS 105-164.4(a)(4d).

Requires Dep't of Revenue to report to Revenue Laws Study Committee by Oct. 1, 2003, on amounts collected and distributions made to local gov'ts. On or before Oct. 1, 2007, Dep't must report to Committee any recommendations it has to adjust distributions to local gov'ts. Dep't must consult with League of Municipalities in developing recommendations.

Privilege license taxes. Amends GS 153A-152 and GS 160A-211 to prohibit cities and counties from imposing a license, franchise or privilege tax on companies taxed under GS 105-164.4(a)(4c) [telecommunications services]. Directs the Utilities Commission to lower the rate set for local telecommunications service to reflect the lowering of tax liabilities for local telecommunications providers. Directs Revenue Laws Study Committee to recommend changes to the 2002 session if needed to conform with the federal Mobile Telecommunications Sourcing Act. Amends GS 105-164.4(a) to apply the rate of 6% to gross receipts derived from interstate telecommunications services. Tax rate on interstate telecommunications is effective Aug. 1, 2001, and expires Jan. 1, 2002. Remainder of section is effective Jan. 1, 2002.

Impose Franchise Tax on Corporate-Affiliated LLCs. Amends GS 105-114 to set amount of limited liability company income, assets, liabilities and equity attributed to corporate members. If governing documents of LLC provide for less than 70% of assets to be distributed to member or affiliated corporations on dissolution, then none of LLC income, assets, liabilities or equity is attributable to member corporations. Otherwise the new statute provides for calculation of percentage of LLC tax items attributable to member or affiliated corporations. Effective Jan. 1, 2002.

Provide Corporate Income Tax Adjustments for Certain Transactions Between Related Members Pertaining to Trademarks. Adds new section to part 1 of art. 4 of GS 105 to provide optional tax treatment for royalty payments for use of trademarks in North Carolina when recipient and payer are related. Allows such payments to be either deducted by the payer and included in the income of recipient, or added back to income of payer and excluded from income of recipient. Makes provision for appropriate adjustments to federal taxable income. Effective for taxable years beginning on or after Jan. 1, 2001.

Conform North Carolina's Subsidiary Dividend Deduction to the Generally Accepted Treatment Used in Other States. Repeals GS 105-130.5(a)(7) and GS 105-130.7(b). Amends GS 105-130.5(b) to add deductions from federal taxable income for dividends treated as received from sources outside the U.S. as determined under sec. 862 of the Internal Revenue Code, to the extent included in federal taxable income, and for any amount included in federal taxable income under sec. 78 or sec. 951 of the Internal Revenue Code. Effective for taxable years beginning on or after Jan. 1, 2001.

Eliminating the Children's Health Insurance Tax Credit. Repeals GS 105-151.27, effective for taxable years beginning on or after Jan. 1, 2001.

Update Internal Revenue Code. Changes definition of "code" in GS 105-228.90(b)(1b) to reference the 2001 Internal Revenue Code. Repeals GS 105-130.5(a)(13). Provides transition rule for amendments to Internal Revenue Code enacted in 2000. Effective for taxable years beginning on or after Jan. 1, 2001, except repeal of GS 105-130.5(a)(13) is effective for taxable years beginning on or after Jan. 1, 2002.

Accelerate Payment of Withholding Taxes. Amends GS 105-163.6 to reduce threshold for paying periodic withholding on monthly versus quarterly basis from \$500 to \$100. Authorizes Dep't of Revenue to withhold no more than \$75,000 from collections under art. 4 of GS 105 in the first two quarters of 2001-2002 to implement this section. Effective as to Dep't of Revenue July 1, 2001, and otherwise effective Jan. 1, 2002.

Review all tax credits periodically. States intention of legislature that tax credits should sunset every three years and should therefore be reviewed regularly. Provides sunset dates for specified tax credits under GS 105, effective Jan. 1, 2003.

PART XXXV. BUDGET FEE PROVISIONS.

Regulatory Fee for Utilities Commission. Sets percentage rate for calculating public utility regulatory fee under GS 62-302(b)(2) at 0.1%. Sets annual fee for The North Carolina Electric Membership Corporation for 2001-2002 at \$200,000. Effective July 1, 2001.

Insurance Regulatory Charge. Sets percentage rate for calculating insurance regulatory charge under GS 58-6-25 at 6.5% for calendar year 2001.

Increase Nonresident Search Fee. Amends GS 121-5(d) to raise fee to \$25 (was, \$10.) Effective July 1, 2001.

Statewide Accounts Receivable Program. Amends GS 147-86.22 to allow use of collection agencies and to impose a collection assistance fee of 20% of overdue debt on debts unpaid after 30 days after the require fee notice is mailed.

DHHS Facility Services Fees. Amends GS 131D-2(b)(1), GS 131E-77(d), GS 131E-102(b), GS 131E-147(b), and GS 131E-202(b) to provide that Dep't shall charge adult care home a nonrefundable annual license fee of \$10.00 per licensed bed. Amends GS 131 E-138(c) to provide that Dep't shall charge applicant for license a nonrefundable annual license fee of \$100.00. Amends GS 14-45.1(a) to provide that Dep't shall charge the facility a nonrefundable annual certification fee of \$400.00. Adds GS 131E-115 to provide for annual fee of \$10.00 per licensed skilled nursing bed in continuing care retirement communities and makes conforming change in GS 131D-10 and GS 122C-23.

Increase Butner Taxes. Amends Section 1 of SL 1983-830 to increase tax from 20 cents per \$100 of valuation of property to 30 cents per \$100, effective for taxes imposed for taxable years beginning on or after July 1, 2001. Provides that tax collectors of Durham and Granville Counties shall annually collect a tax of 40 cents per \$100 valuation of property (was, 30 cents) in Butner Fire and Police Protection District, effective July 1, 2002.

Community College Fuel Tax Exemption. Amends GS 105-449.88 to add to list of exemptions from the excise tax motor fuel sold to a community college for use for community college purposes.

PART XXXVI. MISCELLANEOUS PROVISIONS

Effective Date. Except as otherwise provided, this act becomes effective July 1, 2001.

May 30, 2001

S 1005. CURRENT OPERATIONS APPROPRIATIONS ACT OF 2001. Intro. 4/5/01. Senate amendments make the following changes to 2nd edition. Amendment #1 adds a new section 23.9 to transfer \$396,402 for 2001-2002 and \$528,536 for 2002-2003 from funds appropriated to the Dep't of Commerce for Inmate Medical Costs to the Dep't of Justice to fund the DARE program. Requires the Juvenile Justice Institute at NC Central University to review DARE and other drug education efforts and report to the Joint Leg. Ed. Oversight Comm., the Justice and Public Safety Subcommittee of the Jt. Leg. Comm'n on Gov. Operations, and the Fiscal Research Div. by April 1, 2002. Amendment # 2 changes the appropriation for Agricultural Extension Service from \$37,526,948 to \$38, 457,017 for 2001-2002 and for 2002-2003; and changes the appropriation for NCSU Agricultural Research Service from \$47,967,114 to \$47,037,045 for 2001-2002 and from

\$47,940,998 to \$47,010,929 for 2002-2003 (a shift from research to extension of \$930,069 per year). Also changes the pay in the principal and assistant principal salary schedule for 14 years of experience from \$4,218 to \$4,259; adds in section 32.2 the annual salary of \$102,119, for the Sec'y of Juvenile Justice and Delinquency Prevention, and makes technical change.

May 31, 2001

S 1005. CURRENT OPERATIONS APPROPRIATIONS ACT OF 2001. Intro. 4/5/01. Senate amendments make the following changes to 2nd edition. Amend Section 21.14 (establishing an Office of Policy and Planning within the Office of the Secretary of the Dep't of Health and Human Services) to provide that all policy and management positions in this office are exempt positions as defined in GS 126-5. Add new Section 30.14, transferring to the Savings Reserve Account \$250,000 appropriated in the budget to the Community Colleges System Office for collaborative educational programs at Richmond Community College. Delete Section 31.9(b), which amended GS 160A-392 to exempt UNC-Chapel Hill from municipal zoning authority in building on its main campus or the Horace Williams Campus. Amend Section 34.1(d) to provide that payments of estimated tax by a HMO under GS Ch. 105, Art. 4B for the 2001 taxable year are credited against the HMO's liability under GS 105-228.5 for the 2001 taxable year. Remove credit for manufacturing cigarettes for exportation (GS 105-130.45) from list of credits repealed in Sec. 34.11(b). Remove credit against gross premium tax for assessments paid to the Insurance Guaranty Ass'n and the Life and Health Insurance Guaranty Ass'n from the list of credits repealed in Section 34.11(e).

June 4, 2001

Correction: Page 37, Daily Bulletin of 5/29/01. Summary of Part XXXIV of S1005 should state the gross premiums tax rate for medical service companies is increased to 1%. June 27, 2001

S 1005. CURRENT OPERATIONS APPROPRIATIONS ACT OF 2001. Intro. 4/5/01. House committee substitute contains the following provisions that differ from the bill adopted by the Senate on 5/28/01. Special provisions in the Senate version that are contained without amendment in the House version are not summarized.

Part I. Introduction and title of act—No changes.

Part II. Current Operations and Expansion – GENERAL FUND—Amounts that differ from the Senate version are in italics.

	<u>2001-2002</u>	<u>2002-2003</u>
Education		
COMMUNITY COLLEGES SYSTEM	650,511,683	650,511,683
DEPARTMENT OF PUBLIC INSTRUCTION	5,877,926,964	5,927,594,010
UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS		
Appalachian State University	85,569,473	85,832,474
East Carolina University		
Academic Affairs	121,199,265	122,462,333
Health Affairs	46,244,924	46,244,925
Elizabeth City State University	21,735,417	21,735,417
Fayetteville State University	30,918,568	30,918,568
NC A & T University	59,749,183	59,749,183
NC Central University	44,557,545	44,557,546
NC School of the Arts	16,474,087	16,747,706
NC State University		
Academic Affairs	266,318,643	266,803,594

Agricultural Extension Service	37,584,776	37,584,776
Agricultural Research Service	46,891,919	46,865,806
UNC-Asheville	25,580,238	25,736,337
UNC-Chapel Hill		
Academic Affairs	199,933,615	200,443,117
Health Affairs	154,802,003	156,782,219
Area Health Education Centers	46,072,336	46,072,336
UNC-Charlotte	96,039,882	96,511,110
UNC-Greensboro	93,617,445	93,694,770
UNC-Pembroke	24,689,033	24,630,348
UNC-Wilmington	59,821,472	60,172,855
Western Carolina University	52,094,143	52,362,403
Winston-Salem State University	28,207,075	28,630,664
General Administration	43,052,753	44,048,177
University Institutional Programs	42,204,602	42,214,602
Related Educational Programs	103,637,912	103,637,912
NC School of Science and Math	11,487,156	11,839,342
UNC Hospitals at Chapel Hill	38,587,322	38,587,322
Total	1,797,080,787	1,804,865,842

Health and Human Services

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Secretary	47,011,912	46,911,912
Division of Aging	29,519,886	29,519,886
Division of Child Development	289,558,396	289,558,396
Division of Education Services	69,940,433	69,940,433
Division of Public Health	109,613,077	107,312,801
Division of Social Services	192,262,288	198,335,582
Division of Medical Assistance	1,989,421,813	2,261,450,549
Division of Medical Assistance-Health Choice	32,987,142	37,487,142
Division of Blind Services/Deaf	10,184,019	10,184,019
Division of Mental Health	581,548,722	581,548,722
Division of Facility Services	15,281,564	15,476,831
Division of Vocational Rehabilitation	42,468,956	41,768,956
Total	3,409,798,208	3,689,495,229

Natural and Economic Resources

DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES	55,545,270	55,194,468
DEPARTMENT OF COMMERCE		
Commerce	45,395,692	44,315,050
Commerce State-Aid	7,700,000	5,200,000
NC Biotechnology Center	5,270,468	6,270,468
Rural Economic Development Center	4,470,777	5,470,471
DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES		

Environment and Natural Resources	158,306,149	157,833,822
Clean Water Management Trust Fund	20,000,000	20,000,000
OFFICE OF THE GOVERNOR-Housing Finance Agency	5,300,000	5,300,000
DEPARTMENT OF LABOR	16,023,147	15,992,906
Justice and Public Safety		
DEPARTMENT OF CORRECTION	932,115,439	939,576,495
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY	31,999,903	28,726,357
JUDICIAL DEPARTMENT	305,410,586	305,358,520
JUDICIAL DEPARTMENT-Indigent Defense	71,635,967	71,635,967
DEPARTMENT OF JUSTICE	72,955,782	73,528,600
DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION	141,276,263	143,030,250
General Government		
DEPARTMENT OF ADMINISTRATION	60,765,033	59,740,890
OFFICE OF ADMINISTRATIVE HEARINGS	2,795,155	2,795,155
DEPARTMENT OF STATE AUDITOR	11,864,673	11,864,673
OFFICE OF STATE CONTROLLER	11,523,868	11,523,868
DEPARTMENT OF CULTURAL RESOURCES		
Cultural Resources	60,638,520	59,763,520
Roanoke Island Commission	1,859,463	1,859,463
STATE BOARD OF ELECTIONS	3,186,269	3,186,269
GENERAL ASSEMBLY	39,081,724	39,553,848
OFFICE OF THE GOVERNOR		
Office of the Governor	5,452,905	5,452,905
Office of State Budget and Management	5,283,596	4,933,066
Mapping and Surveying	1,187,845	1,187,845
Reserve for Special Appropriations	3,435,000	3,080,000
Department of Insurance		
Insurance	23,579,288	23,129,288
Insurance-Volunteer Safety Workers' Compensation	2,000,000	2,500,000
Office of Lieutenant Governor	669,545	669,545
Department of Revenue	77,563,436	77,955,704
Rules Review Commission	325,795	325,795
Department of Secretary of State	8,649,507	8,554,507

Department of State Treasurer		
State Treasurer	2,830,600	2,830,600
Retirement for Fire and Rescue Squad Workers	10,301,897	12,379,780
Transportation		
DEPARTMENT OF TRANSPORTATION	10,030,000	13,393,341
Reserves, Debt Service, and Adjustments		
CONTINGENCY AND EMERGENCY	5,000,000	5,000,000

RESERVE FOR COMPENSATION INCREASES	193,842,000	193,842,000
RESERVE FOR SALARY ADJUSTMENTS	500,000	500,000
RESERVE FOR STATE HEALTH PLAN	150,000,000	200,000,000
TEACHERS' AND STATE EMPLOYEES' RETIREMENT RATE ADJUSTMENT	(239,568,180)	(239,568,180)
CONSOLIDATED JUDICIAL RETIREMENT RATE ADJUSTMENT	(2,265,000)	(2,265,000)
HURRICANE FLOYD RESERVE FUND		150,629,172
RESERVE TO IMPLEMENT HIPPA	10,000,000	
MENTAL HEALTH SYSTEM REFORM RESERVE	7,525,675	
INFORMATION TECHNOLOGY RATE ADJUSTMENT	(4,000,000)	(4,000,000)
PAYROLL TURNOVER ADJUSTMENT	(52,000,000)	(52,000,000)
GENERAL DEBT SERVICE	250,822,092	352,266,860
FEDERAL REIMBURSEMENT	1,155,948	1,155,948
Grand Total Current Operations-General Fund	14,272,759,739	14,902,141,000

Budget Reform Statement	(\$ Millions)	(\$ Millions)
Unappropriated balance	0	
Revenue collections in 2000-2001 in excess of authorized estimates	0	
Unexpended appropriations during 2000-2001	0	
Beginning Unreserved Credit Balance	0	
Revenues Existing Tax Structure	13,473.8	14,451.2
Non-tax revenues		
Investment Income	152.0	167.0
Judicial Fees	109.5	111.7
Disproportionate Share	107.0	107.0
Insurance	43.9	45.8
Other Non-Tax Revenues	105.0	106.2
Highway Trust Fund Transfer	170.0	170.0
Highway Fund Transfer	14.5	15.3
Subtotal	14,175.7	15,174.2
Other Adjustments		
NC Railroad Repayment	19.0	
Enhanced Dep't of Revenue Collections	50.0	50.0
House Bill 232 Implementation	116.5	2.7
Scrap Tire/White Goods Transfer	3.4	
Transfers from Various Funds	167.5	0.5
Transfer to Savings Reserve Account	(125.0)	
Subtotal	231.4	53.2
Total General Fund Availability	14,407.1	15,227.4

Of the balance in the Hurricane Floyd Reserve Fund, \$150,629,172 shall be transferred to the General Fund on July 1, 2001. Funds are appropriated in this act for the 2002-03 fiscal year to the Hurricane Floyd Reserve Fund in an amount equal to the amount transferred.

Balances in the following funds shall be transferred to the State Controller to support General Fund appropriations:

Dep't of Ag. And Consumer Services (Warehouse Investment Fund)	\$ 500,000
Dep't NER (Sleep Products, Air Permits, Sedimentation)	3,400,000

Fees, Land Env. Controls, Dam Safety Account, Inactive Hazardous Sites Cleanup, Emergency Response Fund, Water Permits, WW Treatment Maintenance & Repair, Lab Certification Fees, Well Construction Fund, Oil Pollution Control, *Wetlands Restoration*)

Dep't of Commerce (International Trade Show Fund) 75,000

Dep't of Correction (Inmate Canteen/Welfare Fund) 380,000

Deletes transfer of funds from Savings Reserve Account in amount of \$1,901,501 for each fiscal year to support the Martin County Child Support Call Center and \$600,000 for each fiscal year to support the State Maternity Home Fund.

Effective Nov. 1, 2001, \$3,000,000 transferred from Office of Information Technology Services to Controller to support General Fund. Effective Feb. 1, 2002, \$4,000,000 transferred for same purpose. For 2001-02, net proceeds of scrap tire tax white goods tax to be credited to General Fund.

Part III. Current Operations and Expansion--Highway Fund		<u>2001-2002</u>	<u>2002-2003</u>
Transportation Administration		69,195,895	69,195,895
Transportation Operations		28,801,650	28,801,650
Transportation Programs			
State Construction			
	Primary Construction	0	0
	Secondary Construction	87,462,000	89,387,000
	Urban Construction	14,000,000	14,000,000
	Access	2,000,000	2,000,000
	Contingency	12,000,000	10,000,000
	Spot Safety	9,100,000	9,100,000
State Funds to Match Federal Highway Aid		5,212,266	5,212,266
Maintenance		585,841,175	575,818,204
Ferry Operations		19,747,132	19,747,132
Asphalt Plant/OSHA		425,000	425,000
Capital		1,634,000	
Aid to Municipalities		87,462,000	89,387,000
Rail		31,095,000	10,575,000
Public Transit		62,178,682	61,794,456
Airports		3,000,000	
Governor's Highway Safety		266,693	266,693
Transportation Regulation		98,654,012	98,649,802
Reserves and Transfers		200,584,495	205,158,048
Grand Total Current Operations and Expansion		1,318,660,000	1,289,518,146
Highway Fund Budget Reform Statement			
Beginning Credit Balance		14,860,000	
Estimated Revenue		1,303,280,000	1,311,720,000
<i>Additional Reversions</i>		520,000	
Total Highway Fund Availability		1,318,660,000	1,311,720,000
Part IV. Highway Trust Fund			
Intrastate System		464,295,516	489,403,290
Secondary Roads		83,827,858	87,445,392

Urban Loops	187,741,771	197,894,308
Aid to Municipalities	48,715,429	51,349,821
Program Administration	34,142,426	36,181,189
Transfer to General Fund	170,000,000	170,000,000
Grand Total Current Operations and Expansion	988,723,000	1,032,274,000

Part V. Block Grants

Appropriates federal block grant funds to DHHS for the fiscal year ending June 30, 2002, according to the following schedule:

Community Services	\$ 15,639,392
Social Services	53,888,298
Low-Income Energy	19,849,342
Mental Health	9,855,277
Substance Abuse Prevention/Treatment	36,455,601
Child Care and Development	248,828,500
Temporary Assistance to Needy Families	373,110,978
Maternal and Child Health	17,019,434
Preventive Health Services	5,579,482

Appropriates federal block grant funds to DENR for the fiscal year ending June 30, 2002, according to the following schedule:

Community Development	\$45,000,000
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PART VI. General Provisions

Appropriations Efficiency Review. Requires the Appropriations Committees to apply zero-base budgeting principles in evaluating the fiscal functions and funding needs of state agencies during the interim period between the 2001 General Assembly and the 2002 Regular Session of the 2001 General Assembly.

Limitations of Agency Legislative Liaison. Deletes provision that prohibits a state department from employing more than two lobbyists.

Reserve to Implement the Health Insurance Portability and Accountability Act (HIPAA). Reduces appropriation from \$30 million to \$10 million. Permits the Office of State Budget and Management to spend up to \$1.5 million before it reports on either the strategic plan it develops to implement HIPAA or the actual and projected monthly cash requirements for the 2001-2002 fiscal year and beyond.

Limitations on Use of State Aircraft. Deletes provisions.

Attorney General Reporting of Pending Lawsuits. Deletes requirement that Attorney General report on the potential liability to the state of all pending lawsuits.

Private License Plates on Publicly Owned Motor Vehicles. Clarifies that municipal vehicles used for transporting, apprehending, or arresting persons charged with violations of the law are exempt from the requirement that publicly owned vehicles be marked under GS 14-250. Restores duties under GS 20-39 to the Comm'r of Motor Vehicles (rather than Sec'y of Transportation).

Fund Salaries and Related Employer Contributions at Less than 100% of Budgeted Requirements. Authorizes the Office of State Budget and Management to allocate to state departments and agencies an average rate of 98.5% of the budget necessary to support salaries, wages, and related employer contributions for social security and retirement. Deletes exception for state colleges and universities.

Extend the Commission to Address Smart Growth, Growth Management, and Development Issues. Changes reporting date to Sept. 1, 2001.

Masters Level Internships in State Agencies. Authorizes each state department, agency, and institution to establish paid internships for recent graduates of in-state Masters of Public Administration and Masters of Public Policy Programs.

Application of Tort Claims Act to Bus Drivers. Amends GS 143-300.1(d) as title indicates. Appropriates \$250,000 for fiscal year 2001-2002 and \$250,000 for fiscal year 2002-2003 for implementation.

PART VII. Department of Administration

Veteran's Scholarship Program. Amends GS 165-20(3) to extend eligibility to high school seniors.

Study State Capitol Security Services. Authorizes the Legislative Research Commission to study the provision of security in the State Capitol area.

Domestic Violence Commission Staffing. Requires the Sec'y of the Dept of Administration to, at a minimum, assign an employee from the North Carolina Council of Women to serve as Deputy Director of the Comm'n. Provides that the person assigned to serve as Deputy Director must have the education, experience, and other qualifications necessary for the position.

PART VIII. Office of Administrative Hearings – no change.

PART IX. Office of the State Auditor – no change.

PART X. Office of the State Controller – no change.

PART XI. Department of Cultural Resources – no change.

PART XII. Office of the Governor

Creation of the North Carolina Advisory Commission on Military Affairs. Makes technical changes to the membership provisions. Deletes provisions regarding expenses for the Comm'n.

Transfer the Center for Geographic Information Analysis/Geodetic Survey and the Statewide Floodplain Mapping Unit. Deletes provisions.

PART XIII. Office of State Personnel – no change.

PART XIV-A. General Government

Reduce Journal Printing/Session Laws Technical Corrections. Amends GS 147-45 to provide that agencies or institutions entitled to more than one copy of the Session Laws and Senate and House Journals will receive one copy in hardbound format and the remainder in electronic format unless additional hardbound copies are requested by August 1. Provides that state Senators and Representatives will only be entitled to copies of the journals if they request a copy in writing by Aug. 1.

PART XIV-B. State Board of Elections

Early Voting Funds/Grants. Permits the State Board of Elections to make grants to the following counties, which provided additional one-stop absentee voting sites in the 2000 General Election at locations other than the county board of elections office or the county courthouse: Buncombe (\$15,000); Chatham (\$5,000); Durham (\$10,000); Edgecombe (\$5,000); Lenoir (\$10,000); Orange (\$5,000); and Wake (\$10,000).

PART XIV-C. Department of State Treasurer

Investment and Banking Division of Department of State Treasurer/Receipt Supported. Amends GS 147-68.1 and GS 147-69.3(f) as title indicates.

PART XIV-D. Department of Revenue

Project Collect Tax. Provides that funds appropriated for Project Collect Tax will be transferred to a separate fund code in the Department's budget.

PART XV. Information Technology

State Intellectual Property Assets/Nongovernmental Organizations. Deletes provisions of new GS 66-58.21, 66-58.22 and 55A-18-01 and amendments to GS 55A-13-01, 55A-8-31, and 55A-8-42.

State Agencies to Report on Intellectual Property. Requires state agencies to provide written evaluations to the Governor, Joint Legislative Commission on Governmental Operations and the Chairs of the House of Representatives Science and Technology Comm'n and the Senate Information Technology Comm'n of the following issues: (1) if a proposed or pending transaction involves the transfer of patentable intellectual property developed by state employees (a) the nature of the state's interests in the patentable intellectual property, (b) the potential value of the state's interest in the patentable intellectual property and (c) how to best protect the state's interest in the patentable intellectual property or (2) if the proposed or pending transaction involves the release of state grants or loans to a non-state entity, the extent to which the transfer of intellectual property might affect the public purpose of the state's financial aid to the non-state entity. Provides exception for The University of North Carolina and its constituent institutions, the

North Carolina Community College Systems, and their respective employees. Makes other technical changes.

Security Standards for State information Technology. Amends GS 147-64.6(c) to clarify that the State Auditor should consult and coordinate with the State Chief Information Officer as part of the assessment and report on the security practices of agency information technology systems. Provides that the Auditor will issue public reports on the general results of reviews, but may also provide more detailed reports directly to agencies. Exempts the Auditor from the provisions of Art. 3 of Ch. 143 of the General Statutes regarding the retention of contractors.

Study State Use of Contractors for Information Technology. Changes to April 1, 2002, the date by which the study group must report to the Joint Legislative Comm'n on Governmental Operations and the Joint Select Committee on Information Technology. Adds provision requiring the study group to compare the costs of outsourcing discrete functions and activities. Amends GS 143-23 to authorize a state agency, with the approval of the Director of the Budget, to increase the amount of salaries and related expenses available for hiring information technology workers if the agency correspondingly reduces the amount in its budget allocated to contracting for information technology services. Deletes requirement that the Office of the State Controller establish an account for IT Contractual services.

Office of State Controller to Establish Accounts for Computer Networking/Telecommunications Service Billing for State Agencies. Requires agencies to develop a process to capture computer networking costs without redundancy. Deletes provision requiring the Office of State Controller to establish separate account to capture networking costs. Requires agencies to provide an interim report by Dec. 1, 2001, and final report by May 1.

E-procurement/Procurement Card Program. Deletes amendments to GS 143-48.3. Adds new provision to GS 143.49 to establish and maintain a procurement card program for state agencies, community colleges, constituent institutions of The University of North Carolina and local school administrative units. Provides that all orders made pursuant to GS 143-49 and exceeding \$250 will be issued electronically through the statewide program when it becomes available.

North Carolina Information Highway Sites. Requires the Office of Information Technology Services to ensure that funds are efficiently utilized.

Reduction in Expenditures Based on its Rate Reductions. Reduces the amount of the reduction to \$4 million.

PART XVI. Housing Finance Agency—no change.

PART XVII. Department of Agriculture and Consumer Services—no change.

PART XVIII. Department of Labor

Labor Department/Elevator Inspection Fee Recipients. Provides for a reduction of at least \$262,261 for the 2001-2002 fiscal year and \$968,823 for the 2002-2003 fiscal year if S 897, H 1430, H 1057, or other substantially similar legislation becomes law. Directs the Director of the Budget to reduce appropriations to the Dep't of Labor as provided in GS 143-25 if the actual receipts from any new legislation are greater than the proposed reductions in appropriations.

PART XIX. Department of Environment and Natural Resources

Grassroots Science Program. Increases appropriation to \$3,204,520 from \$3,004,520.

DENR Study of Environmental Permitting Process. Clarifies that the study will include the State Water Quality Certification and National Pollutant Discharge Elimination System wastewater discharge permitting processes in the Division of Water Quality, the Coastal Area Management Act permitting process in the Division of Coastal Management, and the sedimentation and erosion control plan approval process in the Division of Land Resources.

Reallocate Town Fork Creek Funds. Reallocates \$541,690 to Stokes County Water and Sewer Authority for the Germantown project and \$893,560 to the Stokes County Water and Sewer Authority for the Walnut Cove/Industrial Site Connection Project. Effective June 30, 2001.

Fair Geographic Representation in Appointments to the Environmental Management Commission. Requires appointing authorities to make every effort to ensure fair geographic representation of the Comm'n.

DENR Position for Scrap Tire Program. Authorizes the Dep't to use funds in the Scrap Tire Disposal Account to support a position to provide regulatory assistance to local governments in

developing programs to prevent out of state scrap tires from being disposed of in the state and completing clean up of nuisance tire collection sites.

PART XX. Department of Commerce

Wanchese Seafood Industrial Park Funds/Oregon Inlet Funds. Deletes provisions.

Worker Training Trust Fund Appropriations. Appropriates \$5,930,016 for fiscal 2001-2002 to the Employment Security Comm'n, rather than the Dep't of Commerce, for the operation of local offices. Appropriates \$2,166,047 for fiscal year 2001-2002 to the Dep't of Commerce, rather than the Community Colleges System Office, for the Employment and Training Grant Program. Appropriates \$941,760 for 2001-2002 to the Dep't of Labor, rather than the Community Colleges Systems Office, for customized training.

North Carolina Technological Development Authority, Inc., Reporting Requirements. Makes provisions applicable to the Yadkin Pee/Dee Lakes Projects, Inc., North Carolina Real Enterprises, and World Trade Center North Carolina.

Transfer Common Follow-Up Evaluation from OSBPM to ESC. Amends GS 96-32 and 96-35 as title indicates.

ESC to Expand Reed Act Funds. Authorizes the Employment Security Commission to spend \$2,136,746 for 2001-2002 for employment insurance administration.

North Carolina Global Center Funds. Authorizes the North Carolina Global Center to use up to \$300,000 of the funds appropriated for general operating purposes.

Restore Name of ABC Complex. Restores name of facility located at 3322 Garner Road in Raleigh to "The Marvin L. Speight, Jr., North Carolina ABC Commission Office & Warehouse Complex."

PART XXI. Department of Health and Human Services

DHHS Regional Offices. Deletes mandate that the Dep't reduce its regional, district, field, and satellite offices. Adds requirement that Dep't provide an inventory of all offices located in Wake County.

Prescription Drug Assistance Program Management. Makes technical changes.

Coordination of Access to Pharmaceutical Company Prescription Drug Programs. Requires coordination with other prescription drug assistance programs in the Dep't. Requires that pharmaceutical company programs register with the Dep't.

Adult Care Home Reimbursement Rates Implementation. Authorizes, but does not require, the Dep't to implement the recommendations in the March 2001 performance audit report conducted by the Dep't of the State Auditor.

Transfer Power and Duties of the Child Care Commission to the Social Services Commission and Abolish the Child Care Commission. Deletes provisions.

Intervention Services Unit. Deletes provisions.

Centralized Contracts Unit. Provides that the Dep't will create a centralized unit responsible for department contracts and contracting functions.

Family Support Services. Provides that the Dep't will coordinate all family support contracts and activities.

HIV/AIDS Prevention Initiative. Requires the Dep't to coordinate efforts to enhance awareness, education, and outreach with the NC AIDS Advisory Council, NC Minority Health Advisory Council, representatives of faith communities, representatives of nonprofit agencies and other state agencies. Provides that the Dep't will report on its progress by March 15, 2002, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Committee on Health and Human Services and the Fiscal Research Division.

Office of Economic Opportunity. Transfers Offices of Economic Opportunity from the Office of the Secretary to the Division of Social Services.

DHHS Support to Local Government. Clarifies intent of General Assembly that Dep't will continue to provide human resources assistance to local governments notwithstanding loss of related positions in the Regional Personnel Offices.

Medicaid Program. Increases professional services fees on drugs to five dollars (\$5.00) per prescription. Provides that payments for physician and other practitioner services shall be the lesser of 100% of the current Medicare payment amount or the Medicare payment amount in effect on Jan. 1, 2001. Provides that coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under paragraphs 22a. and

22b.2 will be established by the Division of Medical Assistance. Requires the Division of Medical Assistance to use the latest audited cost reporting data available when establishing Medicaid provider rates or when making changes to the reimbursement methodology.

Medicaid Definition of Medical Necessity Exempt From Rule Making Under APA; Determination of Medical Necessity. Requires the Dep't to notify all Medicaid providers of proposed amendments to the definition of "medical necessity" 30 days prior to the adoption of the amended definition or application.

NC Health Choice. Amends GS 108A-70.18 to define "uninsured" as an applicant for Program benefits who is not covered under any private or employer-sponsored comprehensive health insurance plan on the date of enrollment.

Medicaid Cost Containment and Growth Reduction. Provides that the Division of Medical Assistance will not adjust reimbursement rates to levels that would cause Medicaid providers to be out of compliance with certification requirements, licensure rules, or other mandated quality or safety standards.

Medicaid Cost-Containment Reserve. Reduces reserve to \$1 million for each year of the 2001-2003 fiscal biennium. Requires the Dep't to implement a pharmacy management plan to achieve anticipated cost saving of \$14 million in the 2001-2002 fiscal year and \$26 million in the 2002-2003 fiscal year.

TBI Medicaid Waiver. Directs the Dep't to develop and seek approval from the Health Care Financing Administration for a Home and Community-Based Medicaid Waiver for individuals with traumatic brain injury. Requires approval from the General Assembly to implement the waiver.

Special Assistance Demonstration Project. Directs the Dep't to apply for a sec. 1115 Medicaid Waiver to provide medical assistance for no more than 1000 individuals, who are living in their own homes and who are receiving supplemental State/County special assistance payments on a pilot basis. Provides that individuals enrolled in the demonstration project must receive the same payment amount as received by recipients of Special Assistance who are residents of adult care homes. Limits eligibility to individuals whose incomes exceed 100% of the federal poverty level and who would otherwise qualify for State/County Special Assistance as a resident of an adult care home. Requires approval from the General Assembly to implement the waiver.

Funds for Alzheimer's Association Chapters in North Carolina. Appropriates \$75,000 in fiscal years 2001-2002 and 2002-2003 to the Western Carolina Alzheimer's Chapter and \$75,000 in fiscal years 2001-2002 and 2002-2003 to the Eastern NC Alzheimer's Chapter. Deletes appropriation to Southern Piedmont Alzheimer's Chapter.

Extend Adult Care Home Moratorium. Deletes provisions.

Child Protective Services. Deletes provisions.

Special Children Adoption Fund. Provides that if the \$1 million reserve for payment to participating private adoption agencies has not been spent by March 31, 2002, the Division of Social Services may reallocate those funds to other participating adoption agencies.

Extend Reporting Deadlines—Closing the Achievement Gap. Deletes provisions.

State/County Special Assistance. Increases the maximum monthly rate for residents in adult care home facilities to \$1,084 from \$1,069.

State Maternity Home Funds. Deletes provisions.

Family Resource Centers. Deletes provisions.

Intensive Family Preservation Services Funding and Performance Enhancements. Deletes provisions.

Approve TANF State Plan. Deletes provisions.

Child Support Pilot Program/Enhances Standards. Makes technical changes.

Funds for Child Support Services. Deletes provisions.

TANF Cash Assistance Flexibility; Study Maintenance of Effort. Authorizes the Dep't to adjust TANF allocations to electing counties for the 2001-2002 fiscal year to ensure that counties have an adequate amount of federal funding for Work First cash assistance payments. Requires the Dep't to study the maintenance of effort provisions and other TANF state and federal funding requirements in order to evaluate the ongoing fiscal impact of these requirements on the state, counties, and the Work First program. Requires report on findings and recommendation to General Assembly by March 1, 2002.

Comprehensive Treatment Services Program. Provides that 3% of the funds appropriated for the Comprehensive Treatment Services Program should be placed in reserve to address the specialized needs of children with unique or highly complex problems.

Whitaker School. Deletes provisions.

Mental Retardation Center Transition Plan. Deletes provisions regarding transfer of residents to other state mental retardation centers but provides that the Dep't may not close one or more of the state mental retardation centers unless the closure is enacted by the General Assembly. Provides that nonrecurring savings realized from the implementation of the plan must be deposited to the Reserve for Mental Health Reform and recurring savings must be retained by the Dep't for implementation of the plan and to support recurring costs of additional community-based placements.

Dorothea Dix Hospital. Provides that the Dep't will develop and implement a plan for the construction of a replacement facility for Dorothea Dix. Directs nonrecurring savings realized from the reduction of beds or services to be deposited to the Reserve for Mental Health System Reform and recurring savings to be retained by the Dep't for implementation of the plan and to support recurring costs of additional community-based placements.

Reduce Administrative Costs of Area Mental Health, Developmental Disabilities, and Substance Abuse Authorities. Requires area authorities to reduce administrative costs by 13% (was, 12%) for fiscal 2002-2003 and requires Dep't of Health and Human Services to provide list of area programs at or below targeted 13%.

Services to Multiply Diagnosed Adults. Dep't of Health and Human Services to conduct review by May 1, 2002, of individualized service plans for former Thomas S. class members and for adults whose service plan exceeds \$100,000.

Downsizing of Mental Retardation Centers. Eliminates requirement that savings in excess of \$4 million be identified and placed in Reserve for Mental Health Reform, and requires that any savings in state appropriations in excess of \$2,900,000 that result from reductions in beds or services shall be applied as follows: (1) nonrecurring savings shall be placed in the Reserve for Mental Health Reform, with funds used to facilitate the transition of clients into appropriate, community-based services and support; (2) recurring savings shall be retained by Dep't to support the recurring costs of additional community-based placements in accordance with Olmstead v. L.C. and E.W.

State Psychiatric Hospitals Bed Allocation Plan. Requires Dep't of Health and Human Services to develop and implement a plan that provides for allocation of state psychiatric hospital beds among counties served by state's regional psychiatric hospitals in accordance with decision in Olmstead v. L.C. & E.W. Report by Dep't due to House Appropriations Subcommittee on Health and Human Services, Senate Appropriations Committee on Health and Human Services, and Fiscal Research Div'n on Oct. 1, 2001, and March 1, 2002.

Child Care Allocation Formula. Changes allocation formula to provide that one-third of budgeted funds distributed according to number of working mothers with children under age 6 in a county in relation to total number of working mothers with children under age 6 in state (was, one-third of budgeted funds to number of working mothers with children under age 6 whose family income is below 75% of state median income in relation to total number of working mothers with children under age 6 whose family income is below 75% in state). After application of formula, Dep't shall identify that portion of each county's allotment comprised of mandatory Smart Start allotment, with balance of county's formula allotment non-Smart Start federal and state subsidy funds. County's initial allocation shall not be less than the grand total of county's total expenditures for both FSA and non-FSA child care in fiscal 1995-96 plus county's mandatory Smart Start allotment for year in which initial allocation is being prepared. Dept' to study current method and process for allocation in consultation with NC Partnership for Children and NC Association of County Comm'rs and representatives of private for-profit and private non-profit child care providers, and make report by April 1, 2002, to House Appropriations Subcommittee on Health and Human Services, Senate Appropriations Committee on Health and Human Services, and Fiscal Research Div'n.

Early Childhood Education and Development Initiatives Enhancements. Requires NC Partnership for Children and Dep't of Health and Human Services to develop policies to ensure elimination of local duplication and increased efficiency in administration of child care subsidy

fund, unless local partnerships in collaboration with county departments of social services can demonstrate a more efficient plan for administration by January 1, 2002. Requires NC Partnership for Children to develop a policy to allocate reduction of funds for Early Childhood Education and Development Initiatives for fiscal 2001-01 and reduces administration by 7% for fiscal 2000-01. Amends GS 143B-168.13(a)(6) to provide that Dep't may (was, shall) use funding formula as basis for determining full funding amounts for each local partnership. Provides that notwithstanding funding formula, state shall consult with NC Partnership for Children to evaluate feasibility of developing a revised funding formula taking into consideration all relevant funding used by state, local human services agencies and program, and local partnerships to provide services and assistance to children under age five and their families.

Early Childhood Education and Development Initiatives Evaluation. Eliminates from list of purposes for funds transitioning of local partnerships' data compilation responsibilities to Dep't.

Development of More at Four Pilot Program. Of funds appropriated to Dep't of Health and Human Services, \$6,456,500 of each year of fiscal 2001-03 biennium to be used to develop and implement More at Four program. Requires creation of More at Four Pre-K Task Force in Dep't, and requires Dep't, in conjunction with Dep't of Public Instruction, to develop pilot prekindergarten program for at-risk four-year-olds, and sets forth requirements for pilot program. Dep't of Health and Human Services, Dep't of Public Instruction and Task Force to report by Jan. 1, 2002, and May 1, 2002, to Joint Legislative Comm'n on Governmental Operations, Joint Legislative Education Oversight Committee, Senate Appropriations Committee on Health and Human Services, and House of Representatives Appropriations Subcommittee on Health and Human Services on program in complying with act, with final report to 2003 General Assembly.

Closure of Central North Carolina School for the Deaf at Greensboro. Eliminates provision to immediately close NC School for the Deaf at Greensboro.

Closure of Eastern North Carolina School for the Deaf at Wilson and the North Carolina School for the Deaf at Morganton. Deletes this provision and replaces it with *Residential Schools for the Deaf*. Requires Dep't of Health and Human Services to assess educational needs of current students at Eastern North Carolina School for the Deaf at Wilson and the North Carolina School for the Deaf at Morganton, including identification of resources needed to educate these children within public school system and prepare educational plan of transition for each student, with report by Dep't by March 15, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Div'n.

Preschool Programs for the Deaf. Provides that Dep't shall transition the children at state-operated preschool programs for the deaf to other preschool services by Oct. 1, 2002.

Immunization Program Funding. Funds for immunization efforts may not be used to fund additional State positions in Dep't, except for contracts to develop an automated immunization registry or with local health dept's for outreach.

Adolescent Pregnancy Prevention Initiatives. Deletes proposed revisions to GS 130A-131.15A. Requires Dep't to administer adolescent pregnancy prevention programs and adolescent parenting programs as provided in bill, with programs to include primary prevention efforts, secondary prevention efforts, and special initiatives. Comm'n for Health Services may adopt rules to implement programs. State-level administrative costs for programs may not exceed 10% of total funds. Dep't to target grants to counties with highest teen pregnancy rates, increasingly higher rates, high rates within demographic subgroups, or greatest need for parenting programs. Programs not required to provide cash match for funds, but Dep't may require in-kind match. Local adolescent pregnancy prevention councils encouraged but not required for program funding, but state funds may not be used for these activities.

AIDS Drug Assistance Program. Beginning July 1, 2002, eligibility for participation in ADAP extended to individuals with incomes up to 200% of federal poverty level. Revises content and format of reports to be made to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Div'n.

Division of Public Health Reorganization Deletes provisions on elimination of Oral Health Section and consolidation of nurse consultant positions and health educator positions. Requires new permanent full-time position in Div'n of Public Health for Local Health Services section chief.

Requires report by Oct. 1, 2001, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Div'n.

Division of Public Health Nurse Consultant and Public Health Educator Consolidation. Dep't to evaluate all nurse consultant positions and all health educator positions to determine need for generalist or specialty consultation, and transfer funds in Div'n to support these services.

Access to Oral Health Care. Deleted.

Contractual Services Limitation. Dep't to maintain adolescent pregnancy prevention and adolescent parenting program database created via contract and shall not continue to contract for database management, development, or analysis. Of funds appropriated to Dep't, no more than \$25,000 may be spent to transition database from contractor to Dep't. Dep't may not spend more than \$25,000 of appropriated funds to complete longitudinal adolescent parenting program evaluation, and shall not contract for additional evaluation or assessment of program or adolescent pregnancy prevention program during fiscal 2001-02. Dep't to report by March 1, 2002, to Senate Appropriations Committee on Health and Human Services, House of Representatives Appropriations Subcommittee on Health and Human Services, and Fiscal Research Div'n.

Prescription Drug Initiatives Grant Funds. Health and Wellness Trust Fund Comm'n to include criteria for awarding grants to expand access to prescription drugs to senior and disabled citizens, with annual report to include implementation of this provision.

PART XXII. JUDICIAL DEPARTMENT

Report on Community Mediation Centers. Adds GS 7A-38.6(j) to provide that each community mediation center receiving state funds shall function as, or as part of, a nonprofit organization or local government entity. If nonprofit, must have governing board of directors consisting of significant number of citizens from surrounding community.

Eliminate Vacant Superior Court Judgeship in District 4B. Adds superior court judgeship in District 24 (Avery, Madison, Mitchell, Watauga, Yancey Counties) effective Oct. 1, 2001, with term expiring Dec. 31, 2002.

Authorize Family Drug Treatment Courts to Serve Addicted Parents of Abused and Neglected Children and to Serve Substance-Abusing Juvenile Offenders Who Come under the Court's Jurisdiction. Deleted.

Assistant Public Defender Longevity/Office of Indigent Defense Services Corrections. Adds conforming amendments to GS 153A-212.1, GS 160A-289.1, and SL 2000-67, sec. 15.4(h).

Assistant Public Defenders/Public Defender Office Personnel. Increases allocation of funds from Indigent Persons' Attorney Fee Fund to Office of Indigent Defense Services for each year of fiscal 2001-03 biennium from \$238,884 to \$477,768 to establish up to six new assistant public defender positions, and increases allocation from same source from \$170,145 to \$283,575 to Office for each year of fiscal 2001-03 biennium to establish up to five new legal assistant, paralegal, investigator, or administrative assistant positions.

Dedicate a Portion of Court Costs to Provide Access to Civil Justice. Deleted.

Pisgah Legal Services Funds. Allocates to Pisgah Legal Services that share of state funds that would otherwise have been provided through Legal Services of North Carolina to Appalachian Legal Services to serve eligible clients in Buncombe, Henderson, Madison, Polk, Rutherford, and Transylvania Counties.

Authorize Additional Magistrates. Increases by one number of magistrates in Brunswick and Columbus Counties.

Add District Court Judgeship in District Court 10. Increases by one number of district court judges in Wake County, effective Dec. 1, 2001.

PART XXIII. DEPARTMENT OF JUSTICE

Study Fee Adjustment for Criminal Records Checks. Adds provision requiring Dep't of Justice to report by January 15 each year to Joint Legislative Comm'n on Governmental Operations, Chairs of Senate and House Appropriations Committees, and Chairs of Senate and House Appropriations Subcommittees on Justice and Public Safety on receipts, costs for, and number of criminal records checks performed in connection with applications for concealed weapons permits, and number of applications received and approved for firearms safety courses.

Criminal Justice Information Network Report/Add Representative from the Department of Juvenile Justice and Delinquency Prevention to the Board. Amends GS 143-661(b)(1) to increase

from three to four number of members appointed by Governor to Board and to include one member who is an employee of the Dep't of Juvenile Justice and Delinquency Prevention.

Provide for Collection of Traffic Law Enforcement Statistics on Stops Made by Certain Local Law Enforcement Agencies. Deleted.

Attorney General Retain Receipts. Deleted.

Drug Education Program Training/Review. Deletes funding provision and provides that State Bureau of Investigation shall collaborate with Criminal Justice Standards Division of Dep't of Justice in administering DARE program.

Abolish Office of Inspector General. Repeals Chap. 114, Art. 6 of General Statutes effective January 1, 2002.

PART XXIV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

Transfer of Persons to and From Butner Facilities. Deleted.

S.O.S. Administrative Cost Limits and Repeal Conference Requirement. Increases funding authorized to S.O.S. Program from \$450,000 to \$550,000 for each year of fiscal 2001-03 biennium.

Juvenile Crime Prevention Council Grant Reporting, Certification, and Funding of Research-Based Programs. Deletes requirement that Dep't report on effectiveness of programs funded by county Juvenile Crime Prevention Councils and replaces it with requirement that Dep't establish and implement a system to collect and report on information and data regarding the expenditures and impact of the Juvenile Crime Prevention Council formula grant funds, and to develop standards for measuring success factors following intervention. Report on progress of establishment of system to be made to Chairs of Appropriations Committee of Senate and House of Representatives, Chairs of Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and Fiscal Research Div'n by April 1, 2002, with system implementation by June 30, 2003.

Reports on Certain Programs. Adds requirement that Communities in Schools report by April 1 of each year to Chairs of Appropriations Committee of Senate and House of Representatives, Chairs of Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and Joint Legislative Education Oversight Committee.

Funding of Teen Court Programs. Deleted.

Continue Cumberland Juvenile Assessment Center. Deletes sunset provisions to permit continuation of Juvenile Assessment Center Project in District Court District 12.

Teen Court Guidelines Codified. Adds GS 143B-520 to provide that teen court programs shall operate as community resources for diversion of juveniles with trial by jury of other juveniles, and permits operation as resources to local school administrative units. Requires teen court programs to make annual reports on expenditure of funds and other data to Dep't of Juvenile Justice.

Youth Development Center Plans. Before closing any Youth Development Center or housing units at any Center, Dep't shall develop a long-range plan for operation of Centers. Plans to be presented to Chairs of Appropriations Subcommittees on Justice and Public Safety of Senate and House of Representatives and Chairs of Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by March 1, 2002.

Transfer Funds and Positions to the Dep't of Health and Human Services. Transfers \$248,435 from Dep't of Juvenile Justice and Delinquency Prevention to Dep't of Health and Human Services for six police officer positions at Black Mountain Center and Julian F. Keith Alcohol and Drug Abuse Treatment Center.

PART XXV. DEPARTMENT OF CORRECTION

Use of Closed Prison Facilities. Deletes provision on alternative uses of Blue Ridge Correctional Center and Impact Facilities.

Extend Limits of Confinement for Terminally Ill and Permanently and Totally Disabled Inmates. Deleted.

Medium Custody Road Crew Compensation. Increases funding for fiscal 2001-03 biennium from \$8.5 million to \$10 million.

Clarify the Law Providing for Compensation to Persons Erroneously Convicted and Increase the Amount of Compensation Allowed. Deleted.

Scotland Work Release Program. Deleted.

Change References to the Division of Adult Probation and Parole to the Division of Community Corrections. Deleted.

Modification of Funding Formula for the North Carolina State-County Criminal Justice Partnership Formula/Unexpected Balance Reversion. Amends GS 143B-273.15 to rewrite formula, with 20% based on fixed equal dollar amount for each county, 60% based on the county share of the state population, and 20% based on the supervised probation admissions rate for the county. Requires \$1 million of unexpected cash balance of State-County Criminal Justice Partnership Account to revert to General Fund on June 30, 2002, and \$1 million to revert on June 30, 2003.

Exemption from Licensure and Certificate of Need. Adds GS 148-19.1 to provide that inpatient chemical dependency or substance abuse facilities that provide services exclusively to inmates of the Dep't of Correction shall be exempt from licensure by Dep't of Health and Human Services. Makes conforming change to GS 122C-22(a) and GS 131E-184(d).

Report on Probation and Parole Caseloads. Deletes requirement that report include projected impact of new officer classifications and procedures on operating and equipment expenditures of Div'n of Community Corrections.

Impact Program. Of funds appropriated to Dep't of Correction for fiscal 2001-03 biennium, \$4,866,759 for 2001-02 and \$4,500,955 for 2002-03 shall be used for residential programs for probationers, including the IMPACT boot camp program. Dep't to report to Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee by Oct. 1, 2001 on plans to implement reduction in funding for IMPACT program.

Charges for Inmate Health Care. Sets rates for hospital facilities operated by constituent institutions of UNC for providing health care services to inmates. Rate study to be made by Dep't with report by April 1, 2002, to Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Sites for Close Security Prisons. Dep't of Administration to select Alexander and Scotland Counties as sites for two new close-custody correctional facilities.

PART XXVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

Eliminate Department of Crime Control and Public Safety/Relocate Divisions. Deleted.

Amend the Crime Victims Compensation Act by Increasing Reimbursement for Funeral Expenses and Work Loss and by Providing that Work Loss Includes Lost Wages for Time Spent in Court and Court-Related Transportation Costs. Deleted.

Report on Butner Public Safety. Deleted.

Boxing Comm'n Reports/Funds Do Not Revert. Provides that if GS Ch. 143, Art. 68, is recodified as Chapter 85D of General Statutes, then GS 85-D12 added to require NC State Boxing Comm'n to report by April 1 of each year to report to Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Transfer Community Service Work Program and Terminate Vacant Positions. Sec'y of Dep't of Crime Control and Public Safety and Sec'y of Dep't of Correction to develop reorganization in which Community Service Work Program is merged with Div'n of Community Corrections in Dep't of Correction, effective January 1, 2002. Report by both Sec'ys to Chairs of Senate and House of Representatives Appropriations Committees, Chairs of Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and Fiscal Research Div'n by Oct. 1, 2001.

Termination of Certain ALE Positions. Requires termination of four positions by June 30, 2002 with report to Chairs of Senate and House of Representatives Appropriations Committees, Chairs of Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and Fiscal Research Div'n by May 1, 2002.

PART XXVII. DEPARTMENT OF TRANSPORTATION

Western North Carolina Amtrak Thruway Bus Service Operations and Station Right-of-Way Acquisition Funds. Replaces \$1 million transfer of remaining unencumbered funds to Highway Fund with \$520,000 reversion.

Department of Transportation to Negotiate on Western North Carolina Rail Service. Dep't to negotiate with Norfolk Southern Corporation on use of tracks to provide Western North Carolina rail service, with report every six months, beginning Jan. 1, 2002, to Joint Legislative Comm'n on Governmental Operations and annual report to General Assembly on progress.

State Highway Patrol/Division of Motor Vehicles Enforcement Consolidation Study. Deleted.

Change Statutory References to "Commissioner of Motor Vehicles." Deleted.

Asphalt Pavement Recycling. Deleted.

Department of Transportation Authorized to Establish an Escort Driver Certification Program/Issuance of Initial Identification Cards, Learner's Permits, and Drivers Licenses. Amends GS 20-7(b1) to provide that all initially issued identification cards, learner's permits, or drivers licenses shall be mailed to the address supplied by the applicant by first class mail within ten days of application date, with Div'n to issue temporary identification cards, learner's permits, or drivers licenses valid for 15 days.

Some State Aircraft Operations Consolidated. Deleted.

Contract Agent Rate Increase. Amends GS 20-63(h) to provide that commission contracts shall provide for payment on a per transaction basis. Collection of highway tax shall be considered a separate transaction for which \$1.27 shall be paid, and performance of one or more of remaining listed transactions shall be considered a single transaction for which \$1.43 shall be paid.

Issuance of Temporary Rules Governing Minimum Criteria Transportation Projects. Amends GS 150B-21.1(a6) to permit temporary rules for cited purpose.

Dep't of Transportation Productivity Pilot Programs. Authorizes two pilot programs to test incentive pay for employees as a means of increasing efficiency and productivity. One program to involve highway resurfacing program with incentive pay to come from budget allocation up to one-fourth of one percent, other program to be selected by Dep't, with up to \$25,000 used from existing budgets for incentives.

Dep't of Transportation Cash Flow Management. Adds GS 147-86.15 to permit State Treasurer to combine balances of Highway Fund and Highway Trust Fund for cash management purposes. Adds GS 136-176(a1) to permit Dep't to use \$200 million in fiscal 2001-02 and \$150 million in each year of fiscal 2002-04 biennium of cash balance of Highway Trust Fund for primary route pavement preservation, preliminary engineering costs, and computerized traffic signal systems. Adds GS 136-176(a2) requiring Dep't to certify to Joint Legislative Transportation Oversight Committee each year by November 1 that use of Highway Trust Fund cash balances for these purposes will not adversely affect delivery schedule for Trust Fund projects in 2002-08 Transportation Improvement Program.

State Tire Retreading Contract. Requires Purchase and Contract Division of Dep't of Administration to contract for tire retreading as specified in bill.

State Highway Patrol to Report to Legislative Oversight Committees on Budgetary Matters. Highway Patrol to report to Joint Legislative Transportation Oversight Committee and Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on revenues, expenditures, and other budget related matters on quarterly basis.

Legislative Research Commission to Study Nonbetterment Utility Relocation Costs in Highway Construction. Authorizes cited study.

Department of Transportation to Evaluate the Locations of Proposed Public and Private Schools to Enhance Traffic Operations and Safety. Adds GS 136-18(29a) to give Dep't of Transportation authority to coordinate with all public and private entities planning schools to provide written recommendations and evaluations of driveway access and traffic operational and safety impacts on the state highway system resulting from development of proposed sites. Dep't to provide written evaluation and recommendations within 60 days, but public or private entities planning schools are not required to meet recommendations made by Dep't.

Regional Public Transportation Authority Capital Reserve Fund Accumulation. Adds GS 160A-613(c) to permit Board of Trustees to accumulate money for capital reserve fund.

North Carolina Railroad Funds. Of funds appropriated to Dep't of Transportation Public Transportation Div'n for new start projects for fiscal 2001-02, up to \$1 million shall be used for projects designated by NC Railroad Board of Directors. Of funds appropriated to Dep't of

Transportation Rail Div'n for fiscal 2001-02, up to \$5.3 million shall be used for projects designated by NC Railroad Board of Directors.

PART XXVIII. PUBLIC SCHOOLS

Supplemental Funding in Low-Wealth Counties. Adds as permissible use of funds payment of up to \$10,000 of plant operation contract cost charged by Dep't of Public Instruction for services.

Instructional Support Personnel Salary Schedules. Amends GS 115C-325(a)(6) to include in definition of "teacher" individual who is paid either as a classroom teacher or instructional support personnel.

Fairness in Testing Program. Amends GS 115C-47(39) to provide that local policy provides child's parent or guardian the right to appeal decision to retain child at grade level or go to summer school to the local board. Amends GS 115C-105.41 to provide that focused intervention and accelerated activities should include research-based best practices that meet needs of students, and may include coaching, mentoring, tutoring, summer school, Saturday school, and extended days, and that parents should be included in implementation and review of personal education plans. Adds GS 115C-105.48(c) to provide that when a student is placed in an alternative school or alternative learning program, referring school shall continue to be held accountable for student's educational performance and growth, but that alternative school may also be held accountable.

Study of Programs for Initially Certified Teachers. Changes title to Additional Support for Initially Certified Teachers and grants them up to three days of approved paid leave during their second year of employment to work on their performance-based products or to consult with their mentors. If teachers have not successfully completed the performance-based requirements by their third year of employment, they shall receive up to three days of approved paid leave to complete all requirements

RESA Funds Shall Be Used for Staff Development. Deleted.

Study Textbook Distribution System. Previous proposals gave the State Board of Education the authority to contract for an analysis of the textbook distribution system for local schools. The analysis must include consideration of a number of different factors. The Committee Substitute adds to that list of factors consideration of whether the Textbook Commission should be eliminated or restructured to improve local control of textbooks and ways to minimize errors in textbooks.

Guidelines for Charter School Enrollment. Deletes provision that states that a material revision of the charter application occurs when the school experiences an enrollment growth of more than 10%. Modifies the circumstances under which enrollment growth constitutes a material revision of the charter application that requires the approval of the State Board.

Pregnant Children. Deleted.

Closing the Achievement Gap. Amends GS 115C-105.35 by adding as a primary focus for the School-Based Management and Accountability Program preparing children to read at grade level and instilling an enjoyment of reading before students enter second grade. The provision also adds to previous proposed amendments to the statute that require consideration of a "closing the achievement gap" component in measuring growth in student performance for each school. This provision further requires that the "closing the achievement gap" component be measured for each subgroup in a school's population to ensure that all subgroups are meeting state standards. Amends GS 115C-105.20(a) by adding a statement that, in order to accomplish the public schools' mission of challenging each child to learn, achieve, and fulfill his or her potential, the public schools must prepare children to read at grade level and enjoy reading before they enter second grade. Amends GS 115C-105.27 by adding new subdivision (1a). This new subdivision states that strategies for improving student performance shall include a plan to ensure that all children are prepared to read at grade level and enjoy reading before entering second grade for those schools that are elementary schools that serve kindergarten and first grade students. The provision further adds that the reading plan should entail the use of assessment instruments to monitor students' progress in learning to read. Adds new GS 115C-105.37 to establish a procedure by which the State Board of Education can identify schools in which kindergarten and first grade students are not being adequately prepared to read. Subsection (a) identifies the targeted schools as those in which more than 5% of kindergarteners are not performing at grade

level on assessments of reading readiness and/or 5% of first graders are not performing at grade level on reading assessments.

Funds to Nonprofit School Agencies. Deleted.

Study of Salary Differentials for Instructional Personnel and for Instructional Support Personnel. Provides that the Joint Legislative Education Oversight Committee will conduct salary differential study for instructional personnel. Requires the Committee to consider the correlation between student performance and salary differentials and in assessing salary differentials to examine differences based on degrees, national certification, and years of service. Provides that Joint Legislative Education Oversight Committee will also conduct salary differential study for instructional support personnel (Senate version included both instructional and noninstructional support personnel).

Funds for Instructional Supplies. Deleted.

NC WISEOWL Website. Requires the Dep't of Public Instruction and the Dep't of Cultural Resources to work collaboratively to ensure the most efficient use of appropriated funds to continue the availability and accessibility of subscriptions on the NC WISEOWL website. The Senate version required that the funds and responsibility for the website be transferred from DPI to the Dep't of Cultural Resources.

Bertie and Rutherford Counties May Acquire Property for Public Schools. Deleted.

Overtime for School Employees. Provides that a person who is employed as both a teacher assistant and a school bus driver, and who works for a combined total of hours that exceeds 40 hours per week, must receive overtime compensation. The employee may receive overtime in the form of overtime pay, at one and a half times the normal rate of pay, or compensatory time off that accrues at time and a half, up to a maximum of 240 hours.

Funds for Teacher Recruitment Initiatives. Allows the use of up to \$200,000 of state aid to local school unit funds for strategic planning on teacher recruitment and other key priorities.

Limitation on Use of Kindergarten Funds. Provides that local schools may use teacher positions designated for the reduction of kindergarten class sizes only to hire classroom teachers for kindergarten.

ExplorNet Audit. Provides that the State Auditor shall audit ExplorNet, Inc., for the 1999-2000 and 2000-2001 fiscal years, and requires that the report demonstrate that the company is capable of managing its finances and has sound financial practices in place before it will receive any additional appropriations of state funds.

PART XXIX. HIGH PRIORITY SCHOOL ASSISTANCE AND ACCOUNTABILITY

Evaluation of Initiatives to Assist High-Priority Schools. Provides that maximum class size in high-priority and continually low-performing schools shall be no more than one student above the allotment ratio in that grade. Provides that State Board of Education may allocate additional teaching positions where maximum class sizes cannot be met.

PART XXX. COMMUNITY COLLEGES

Reorganization of the Human Resources Development Program. Makes technical change and authorizes the adoption of temporary rules to implement the reorganization.

Employment Security Commission Funds. Increases the amount appropriated from the Employment Security Commission Training and Employment Account to the Community Colleges System Office to \$28,054,298. Creates an additional appropriation of \$7,013,574 from the Employment Security Commission Training and Employment Account to the Employment Security Commission to cover the administrative costs related to reemployment programs and enhanced reemployment services. Creates a procedure for allocating any funds that the state receives in excess of the combined total of the appropriations referred to above. The procedure requires that 80% of excess funds be appropriated to the Community Colleges System Office and 20% of excess funds be appropriated to the Employment Security Commission.

Consolidate and Coordinate Workforce Development Programs. Deleted.

Maintenance of Plant Operations. Makes technical change.

Transfer of Funds to the Savings Reserve Account. Deleted.

Focused Industrial Training Program. Allows the State Board to use up to \$100,000 each year of the 2001-2003 biennium to provide workplace safety and training programs for qualifying companies.

Community Colleges System Office Flexibility. Adds new subsections (b) and (c) to GS 115D-3 to give additional flexibility to the Community Colleges System Office by allowing the President to move funds between budget purposes, use up to 10% of lapsed salaries for nonsalary purposes, and retain overhead receipts for nonrecurring expenditures.

Home Schooled High School Students May Take Developmental Courses at Community Colleges. Adds new subsection (n) to GS 115D-5 as title indicates.

PART XXXI. UNIVERSITIES

Teacher Assistant Scholarship Fund. Makes technical changes and requires UNC Board of Governors, State Board of Education, and State Board of Community Colleges to develop and make available in each local school system written information about the teacher assistant scholarship program.

Offer Teacher Education Programs Through Distance Education. Makes any teacher education program offered by a constituent institution eligible to receive funds appropriated for teacher credentialing and education. The Senate version authorized the funds to be used to establish pilot programs for teacher education at Appalachian State and UNC-Wilmington.

UNC Exempt from State Surplus Property Agency/Retain Receipts from Sale of Recyclable Materials or from Recycling Activities. Deleted.

Masters Ed. Administration at A&T State, NCCU, UNC-Pembroke/Study Possible Pharmacy School at ECSU/Study Possible Dentistry School at ECU and Possible Engineering School at ECU, Western Carolina, and UNC at Asheville. Adds feasibility study for establishing dental school at ECU and engineering schools at ECU, WCU, and UNC-A.

UNC Board of Governors May Authorize Management Flexibility for Special Responsibility Constituent Institutions. Deleted.

Progress Board. Rewrites GS 143B-372 to make various technical changes and to increase the size of the North Carolina Progress Board to 24 members (currently 21).

Transfer Chinqua-Penn Plantation Funds. Transfers all "Friends of Chinqua-Penn" funds and gift shop funds from UNC to the Chinqua-Penn Foundation, Inc.

UNC Board of Governors Report on Overhead Receipts. Requires the UNC Board of Governors to report to the Joint Legislative Education Oversight Committee each year on the amount of overhead receipts for the UNC system and the use of those receipts.

PART XXXII. SALARIES AND EMPLOYEE BENEFITS

Community Colleges Personnel/Salary Increases. Deletes the word "average" from the salary increase provisions resulting in a requirement that the Director of Budget provide an annual salary increase of \$625 to all qualifying community college employees. As formerly written, the provision required the Director to provide salary increases that would average out to \$625 per employee. The provision also deletes the provision requiring the State Board to establish guidelines for providing salary increases to community college personnel.

University of North Carolina System/EPA Salary Increases. Deletes the word "average" from the salary increase provisions resulting in a requirement that the Director of Budget provide an annual salary increase of \$625 to all qualifying exempt UNC System employees, except for teachers at the NC School of Science and Math (NCSSM). Deletes the word "average" from the salary increase provision applying to teachers at NCSSM so that all qualifying employees will receive an annual salary increase of 2.86%.

Limit Clean Water Management Trust Fund Administrative Expenses. Deleted.

Amend Salary Reserve. Deleted.

Severance Pay/Salary Adjustment Fund. Provides that the Salary Adjustment Fund shall first be used to pay severance to qualifying employees and that up to \$5,000,000 of funds appropriated for legislative salary increases, if not used to make actual salary increases, may be used to supplement the Salary Adjustment Fund.

State Employee Health Plan Changes. Deletes the Senate provision allowing the Executive Administrator and the Board of Trustees to increase the deductible and aggregate maximum deductible each year based on changes in the ratio of the CPI-Medical Index. Amends GS 135-40.1(2) to reduce the deductible to \$350.00 and the aggregate maximum deductible to \$1,050 (these were \$400 and \$1,200 respectively in the Senate version), and removes the authority of the Executive Administrator and Board of Trustees to make annual increases. Amends GS 135-40.4(a) by requiring the plan to honor claims submitted under the plan by a health care provider

that does not contract with the plan and mandating that a contract between the Plan and a hospital will become effective no later than 10 days after the hospital delivers the signed contract to the plan. Maintains current exclusion in GS 135-40.5(g) for prescription for growth hormone and weight loss drugs where they are not medically necessary to the health of the member (Senate version deleted this provision). Adds new provision to GS 135-40.5(g) that plan members will not be assessed more than \$2,500 in copayments for prescriptions for any given covered individual in a fiscal year. Amends GS 135-40.6 by establishing an aggregate maximum out-of-pocket liability of \$4,500 per fiscal year for those under Employee/Children or Employee/Family coverage. Amends GS 135-40.6(8)m by changing cardiac rehabilitation coverage to the lesser of \$1,800 or 90 days per fiscal year (as opposed to the greater of \$1,300 or 60 days under the Senate proposal). Amends GS 135-40.8 by increasing the room accommodation exclusion per confinement from the current \$75 to \$100. Also adds to that section some additional coverage exclusions for facility fees, emergency room charges and home and skilled nursing visits. Amends GS 135-40.9 by removing coverage caps and providing each covered individual with unlimited maximum lifetime benefits. Amends GS 135-70.6(7)a by deleting the \$10 exclusion chargeable under current law for each home, office and skilled nursing visits. Makes technical changes to GS 135-39.5 and 135-39.8. Deletes the Senate's proposed amendments to GS 97-26 related to hospital fees.

Salary-Related Contributions/Employers. Increases state's employer contribution rates budgeted for retirement and related benefits to 5.02 % for Teachers and State Employees, 10.02% for State Law Enforcement Officers, and 16.40% for the Consolidated Judicial Retirement System.

Provide Cost-of-Living Increases for Retirees of the Teachers' and State Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System. Amends GS 135-5 by adding a new subsection which provides a 2% COLA for retirees already retired on or before July 1, 2000, and a prorated 2% COLA for retirees who retired between July 1, 2000, and June 30, 2001.

Optional Retirement Program Study Commission. Establishes a 15-member study commission to examine the feasibility and desirability of expanding eligibility under the UNC Optional Retirement System to all exempt university employees and of establishing an optional retirement program for employees of the community college system.

Retirement System Actuary. Deleted.

University System Optional Retirement Plan for Senior Administrators/AG Extension. Deleted.

Remove the Cap on Sick Leave Creditable to Retirement for Members of the Teachers' and State Employees' Retirement System. Amends GS 135-4(e) as title indicates.

Sick Leave Judicial Retirement. Makes technical change to GS 135-58(a2). Adds new section (a3) to GS 135-58, which extends the terms of service retirement to members retiring on or after July 1, 2001, under the provisions of GS 135-57(a) or (c).

Amend Membership Requirements. Amends GS 120-4.11 by deleting provision that prohibited a person who contributes or is qualified to contribute to another state or local retirement system in North Carolina from being a qualified member of the Legislative Retirement System. The deletion would make it permissible for a member or former member of the General Assembly to be a member of the Legislative Retirement System and also be a member of the Teachers' and State Employees', Local Government Employees', Law Enforcement Officers' or Consolidated Judicial Retirement System. Likewise amends GS 120-4.21(c) and GS 120-4.22(d) to enable qualifying participants in one of the other public retirement systems to draw service retirement or disability retirement while still a member of the other public system.

Dues Deduction for Retirees. Creates a new GS 128-38.3 that authorizes the periodic deduction from retirement benefits of a specified amount for payment as a contribution to an employees' or retirees' association that is located in this state and has at least 2,000 members.

Allow the Purchase of Withdrawal Service in the Teachers' and State Employees' Retirement System. Amends GS 135-4(k) by decreasing the service requirement for withdrawn members who have returned to service and want to repay the accumulated contributions that they previously withdrew. The current version of the statute requires a person to complete ten years of service after the return before becoming eligible to pay back previously withdrawn funds. This

amendment would reduce the service requirement to 5 years. This provision also changes the method of calculating interest and fees which must be repaid along with the withdrawn principal amount of the contributions.

Allow Payment of Death Benefits to Legal Representative. Amends GS 135-5(l), GS 135-64(h), GS 128-27(13), and GS 120-4.27 to change the procedure for payment of death benefits for a deceased retired member. Each of the above-cited statutes requires that death benefits be paid in one lump sum to the spouse of a deceased retired member, or if the deceased retired member is not survived by a spouse, to his or her legal representative. This amendment would allow the retired member to direct that the lump sum be paid to his or her legal representative even where there is a surviving spouse. In order to have the death benefit paid directly to a legal representative where there is a surviving spouse, the retired member must, prior to his or her death, give written instructions to the Board of Trustees (of the applicable Retirement System) that he or she did not want the lump sum payment made to the spouse, and that the death benefit should be paid directly to the retired member's legal representative.

PART XXXIII. Capital Appropriations

Samarkand Timber Sale. Directs the Dep't of Juvenile Justice and Delinquency Prevention to harvest and sell a portion of the timber standing on the real property at the Samarkand Youth Academy. Authorizes the State Treasurer to use up to \$250,000 of the proceeds of such sales to establish a capital improvement and repair and renovation account on behalf of the Juvenile Justice Dep't and earmarks the funds for major repair to streets and parking lots, additional street lighting and building repairs at the Samarkand Youth Academy.

PART XXXIV. Make Taxes Equitable - not applicable.

PART XXXV. Budget Fee Provisions - not applicable.

PART XXXVI. Miscellaneous Provisions - no change.

S 1005. CURRENT OPERATIONS APPROPRIATIONS ACT OF 2001. Intro. 4/5/01. House amendments make the following changes to 4th edition. Amendment # 6 requires Dep't of Transportation and Dep't of Correction to report to Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Joint Legislative Transportation Oversight Committee by March 1, 2001, and by Dec. 1, 2002, on the actual number of hours worked and the actual number of inmates participating in the medium-custody highway-related labor program and implementation of this provision. Amendment # 7 makes following changes to current operations and expansion budget for UNC system: reduces current operations for North Carolina State University-Academic Affairs by \$717,953 for each year of 2001-03 biennium; reduces current operations for The University of North Carolina at Chapel Hill-Academic Affairs by \$2,403,581 for each year of 2001-03 biennium; and increases current operations for University Institutional Programs by \$3,121,534 for each year of 2001-03 biennium. Directs UNC Board of Governors to allocate \$3,121,534 for each year of the biennium to Focused Growth Institutions in accordance with its 2001-03 budget request entitled "Access, Line 1.e. Focused Growth Institutions-Special Needs." Requires UNC Chapel Hill to use \$2,403,581 from overhead receipts each year of 2001-03 biennium to support operations in Academic Affairs budget code 16020, and requires NC State University to use \$717,953 from overhead receipts each year of 2001-03 biennium to support operations in Academic Affairs budget code 16030. Amendment # 9 deletes instructional support personnel salary schedule, Section 28.12(a) of bill, and substitutes term "teacher" for "instructional support personnel. Makes conforming numbering changes. Amendment #10 amends Section 27.5A to provide that Dep't of Transportation may use remaining unencumbered funds appropriated for fiscal 1998-99 for Western North Carolina rail service. Adds Section 27.5B to allocate \$5 million appropriated from Highway Fund to Dep't of Transportation to be used for land acquisition for new multi-modal station in Charlotte. Amendment # 11 amends Section 27.5 to reduce reversion of remaining unencumbered funds from \$520,000 to \$320,000, amends Section 3.1 to reduce funds for rail for fiscal 2001-02 by \$200,000 and amends Section 3.2 to reduce funds for additional reversions for fiscal 2001-02 by \$200,000.

June 28, 2001

S 1005. THE APPROPRIATIONS ACT OF 2001. Intro. 4/05/01. House amendments make the following changes to 4th edition.

(1) Within appropriations for Justice and Public Safety, reduce funds appropriated to Dep't of Correction and Judicial Dep't—Indigent Defense and increase by corresponding amounts funds appropriated to Dep't of Crime Control and Public Safety.

(2) Delete Sec. 26.9 of bill, which directed the Sec'y of Crime Control and the Sec'y of Correction to develop a plan for merging the Community Work Service Program with the Division of Community Corrections and for eliminating 25 vacant positions plus the positions of Director of Victims and Justice Services and administrative assistant.

(3) Add new Sec. 6.1A providing that Governor may not withhold appropriations from the Reserve for Reimbursements for Local Governments and Shared Tax Revenues without approval by an act of the General Assembly.

(4) Add new Sec. 31.15 amending GS 116-144 (which now directs the UNC Board of Governors to set tuition for out-of-state UNC students at rates comparable to rates charged nonresident students by comparable public institutions nationwide) to direct the Board of Governors to set the out-of-state tuition at a rate to generate \$24,664,857 in additional out-of-state tuition receipts. Also direct Board of Governors not to increase tuition for in-state students for the 2001-02 and 2002-03 academic years, with the increase in out-of-state tuition to replace the lost in-state tuition receipts appropriated by Sec. 2 of the act.

(5) Amend Sec. 29.1 to increase the special amounts to be allocated for use by the state's lowest-performing elementary schools from \$10,876,438 for fiscal 2001-02 and \$12,237,913 for fiscal 2002-03 to \$11,407,896 and \$12,769,371, respectively, with the additional amounts to be used to provide annual bonuses of \$500 to teachers in each such school.

(6) Amend Sec. 29.2 to reduce the new bonus to be paid to teachers of mathematics, science, and special education at certain qualifying poor or low-performing middle and high schools from \$1,800 to \$1,150, and reduce the special amounts allocated for the purpose from \$2,500,000 in each year of biennium to \$968,542.

(7) Amend Sec. 28.26 of the bill by (a) amending GS 115C-238.29D(b) to raise the statewide limit on charter schools from 100 to 125 and (b) directing the State Board of Education to transfer \$250,000 in each year of the biennium from the funds available for the Total Quality Education Program to the Charter School Reserve to implement this change.

(8) Amend Sec. 5.1 in the section on Temporary Assistance to Needy Families Block Grant to delete \$300,000 from the Cash Assistance Reserve and add it to a new line for Individual Development Grants.

(9) Amend Sec. 21.88 to raise from \$500,000 to \$6,956,500 the amount appropriated for each year of the biennium to be used to pay the cost of outpatient prescription drugs for elderly Medicaid patients who meet specified income limitations and removes the restriction that those funds are to be used to buy drugs only in connection with cardiovascular disease or diabetes to apply to drugs generally. Transfer \$6,456,500 originally appropriated for "More at Four," a voluntary prekindergarten pilot program for at-risk four-year-olds, to Division of Public Health to fund this increase, and, to fund the "More at Four" program, transfers the same amount from funds appropriated to the Division of Social Services for Child Support Receipt Shortfall.

(10) Amend Sec. 26.10 to change from four to three the number of Alcohol Law Enforcement supervisor positions that must be eliminated by June 30, 2002.

(11) Add new Sec. 20.12A increasing the appropriation to the Dep't of Commerce's Industrial Recruitment Competitive Funds by \$25,000 and increasing the dep't's advertising line item for the marketing division by the same amount.

(12) Amend Sec. 2.2(g) so that it now directs the State Controller to credit to the Dep't of Revenue sufficient funds to compensate local governments for any inventory tax reimbursement scheduled for distribution in April 2001 but remaining unpaid on Aug. 31, 2001. To the extent that this credit is less than \$125,000,000 an amount equal to that difference is to be credited to the Savings Reserve Account.

September 20, 2001

S 1005. APPROPRIATIONS ACT OF 2001. Intro. 4/5/01. The budget bill adopted by the Senate is summarized in the *Daily Bulletin* of 5/29. The version adopted by the House is summarized in the *Daily Bulletin* of 6/27. The conference report recommends the following changes to 5th edition

to reconcile matters in controversy. Provisions not in controversy are indicated as such, and summaries may be found in the digest of the House version.

Part I. Introduction and Title of Act – Not in controversy.

Part II. Current Operations/General Fund.

	2001-2002	2002-2003
EDUCATION		
Community Colleges System Office	643,695,459	643,195,459
Department of Public Instruction	5,879,640,364	5,922,188,546
University of North Carolina - Board of Governors		
Appalachian State University	85,231,527	85,494,527
East Carolina University		
Academic Affairs	120,720,504	121,983,572
Health Affairs	46,062,074	46,062,074
Elizabeth City State University	21,649,628	21,649,628
Fayetteville State University	30,796,571	30,796,571
NC Agricultural and Technical University	59,512,768	59,512,768
North Carolina Central University	44,381,352	44,381,352
North Carolina School of the Arts	16,408,836	16,682,455
North Carolina State University		
Academic Affairs	265,376,229	265,861,181
Agricultural Extension	37,434,400	37,434,400
Agricultural Research	46,704,489	46,678,373
University of North Carolina at Asheville	25,479,187	25,635,286
University of North Carolina at Chapel Hill		
Academic Affairs	199,610,018	200,119,532
Health Affairs	154,439,887	156,170,103
Area Health Education Centers	46,072,336	46,072,336
University of North Carolina at Charlotte	95,659,924	96,131,150
University of North Carolina at Greensboro	93,245,204	93,322,528
University of North Carolina at Pembroke	24,591,556	24,532,869
University of North Carolina at Wilmington	59,584,977	59,936,359
Western Carolina University	51,888,048	52,156,307
Winston-Salem State University	28,095,527	28,519,116
General Administration	40,280,589	41,276,013
University Institutional Programs	40,397,754	41,247,754
Related Educational Programs	103,637,912	103,637,912
North Carolina School of Science and Mathematics	11,487,156	11,839,342
UNC Hospitals at Chapel Hill	40,587,322	40,587,322
Total	1,789,335,775	1,797,720,830
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	48,108,705	48,008,705
Division of Aging	29,531,910	29,531,910
Division of Child Development	289,058,396	289,058,396
Division of Education Services	69,581,525	69,581,525
Division of Public Health	108,459,083	107,434,083
Division of Social Services	188,690,237	194,763,531
Division of Medical Assistance	1,981,237,528	2,219,046,892
NC Health Choice	32,987,142	37,487,142
Division of Blind Services/Deaf/HH	10,168,115	10,168,115
Division of Mental Health	581,394,627	581,068,627
Division of Facility Services	15,246,969	15,442,236

Division of Vocation Rehabilitation	42,768,956	42,088,956
Total	3,397,233,193	3,643,680,118

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	55,368,040	55,168,040
Department of Commerce		
Commerce	59,280,374	44,280,374
Commerce State-Aid	7,125,000	5,200,000
NC Biotechnology Center	5,270,468	6,270,468
Rural Economic Development Center	4,091,055	5,090,749
Department of Environment and Natural Resources		
Environment and Natural Resources	159,072,700	158,722,700
Clean Water Management Trust Fund	40,000,000	70,000,000
Office of the Governor - Housing Finance Agency	5,300,000	5,300,000
Department of Labor	15,517,906	15,117,906

JUSTICE AND PUBLIC SAFETY

Department of Correction	923,995,281	930,964,916
Department of Crime Control and Public Safety	31,749,131	28,493,506
Judicial Department	305,491,140	305,465,135
Judicial Department - Indigent Defense	70,181,601	68,867,771
Department of Justice	73,142,775	73,720,793
Department of Juvenile Justice and Delinquency Prevention	140,800,030	142,554,017

GENERAL GOVERNMENT

Department of Administration	61,085,019	60,815,019
Office of Administrative Hearings	2,795,155	2,795,155
Department of State Auditor	11,864,673	11,864,673
Office of State Controller	11,523,868	11,523,868
Department of Cultural Resources		
Cultural Resources	60,227,419	59,427,419
Roanoke Island Commission	1,859,463	1,859,463
State Board of Elections	3,186,269	3,186,269
General Assembly	39,383,848	39,553,848
Office of the Governor		
Office of the Governor	5,442,905	5,442,905
Office of State Budget and Management	5,458,547	5,354,938
Mapping and Surveying	0	0
Reserve for Special Appropriations	3,635,000	3,080,000
Department of Insurance		
Insurance	23,750,037	23,527,552
Insurance — Volunteer Safety Workers' Compensation	1,050,000	4,500,000
Office of Lieutenant Governor	669,545	669,545
Department of Revenue	77,100,467	77,955,704
Rules Review Commission	325,795	325,795
Department of Secretary of State	8,481,776	8,286,850
Department of State Treasurer		
State Treasurer	7,216,817	7,216,817
State Treasurer — Retirement for Fire and Rescue Squad Workers	10,301,897	12,379,780

TRANSPORTATION

Department of Transportation	10,030,000	13,393,341
RESERVES AND DEBT SERVICE		
Contingency and Emergency	5,000,000	5,000,000
Reserve for Compensation Increases	193,842,000	193,842,000
Reserve for Salary Adjustments	500,000	500,000
State Employee Health Benefit Plan		
Statewide Reserve for State Health Plan	114,000,000	200,000,000
State Budget Office Reserve for State Health Plan	36,000,000	
Reserve for Teachers' and State Employees' Retirement Rate Adjustment	(241,002,720)	(241,002,720)
Reserve for Consolidated Judicial Retirement Rate Adjustment	(2,265,000)	(2,265,000)
Reserve for Mental Health Reform	47,525,675	0
Reserve to Implement HIPPA	15,000,000	0
Reserve for Information Technology Rate Adjustment	(4,000,000)	(4,000,000)
Debt Service		
General Debt Service	250,822,092	352,266,860
Federal Reimbursement	1,155,948	1,155,948
GRAND TOTAL CURRENT OPERATIONS – GENERAL FUND	\$14,368,256,787	\$14,780,657,357

	2001-2002 (\$ Millions)	2002-2003 (\$ Millions)
General Fund Budget Reform Statement		
1. Composition of the 2001-2002 beginning availability:		
a. Unappropriated balance	0.0	
b. Revenue collections in fiscal year 2000-2001 in excess of authorized estimates	0.0	
c. Unexpended appropriations during fiscal year 2000-2001 (Reversions)	0.0	
Beginning Unreserved Credit Balance	0.0	
2. Revenues Based on Existing Tax Structure	13,303.4	13,979.0
3. Non-Tax Revenues:		
Investment Income	164.0	171.0
Judicial Fees	112.8	115.9
Disproportionate Share	107.0	107.0
Insurance	45.5	47.4
Other Non-Tax Revenues	96.5	97.3
Highway Trust Fund Transfer	170.0	170.0
Highway Fund Transfer	14.5	15.3
Subtotal	14,013.7	14,702.9
4. Other Adjustments		
IRC Conformity Adjustment (included in House Bill 232)	(3.4)	(3.8)
North Carolina Railroad General Fund Repayment	19.0	
Senate Bill 353 Enhance Department of Revenue Collections	50.0	50.0
Education/Human Services/Mental Health/ Revenue Initiatives	435.3	614.4
House Bill 1157 Implementation – Closure of Tax Loopholes	61.3	64.3

House Bill 232 Implementation – Budget		
Revenue Provisions (Accelerations)	112.1	6.0
Increase in Nontax Revenues — Patients'		
Bill of Rights (Senate Bill 199)	0.4	0.9
Transfer/Adjustment of Cash from Special,		
Trust, Internal Service, and Reserve Funds	23.4	0.5
Court Fee Funds to State Bar	(0.8)	(1.7)
Credit to the Savings Reserve Account	<u>(181.0)</u>	
Subtotal	516.3	730.6
TOTAL GENERAL FUND AVAILABILITY	\$14,530.0	\$15,433.5

BUDGET TRANSFERS – Not in controversy.

Part III. Current Operations/Highway Fund

	2001-2002	2002-2003
(1) Transportation admin. (84210)	\$69,195,895	\$69,195,895
(2) Transportation operations (84220)	28,801,650	28,801,650
(3) Transportation programs (84230)		
State construction		
Primary	-	-
Secondary	87,462,000	89,387,000
Urban	14,000,000	14,000,000
Public access	2,000,000	2,000,000
Spot safety	9,100,000	9,100,000
Contingency	15,000,000	10,000,000
Federal aid match	5,212,266	5,212,266
Maintenance	578,632,263	571,609,292
Asphalt plant/OSHA	425,000	425,000
Capital	1,634,000	
Ferry operations	19,747,132	19,747,132
Aid to municipalities	87,462,000	89,387,000
Rail	31,125,000	10,575,000
Public transit	64,460,834	64,460,834
Airports	5,000,000	
(4) Governor's highway safety (84240)	266,693	266,693
(5) Transportation regulation (84260)	98,654,012	98,649,802
(6) Reserves and transfers (84270)	200,511,255	205,084,808
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$1,318,690,000	\$1,287,902,372

Highway Fund Budget Reform Statement	2001-2002	2002-2003
Beginning Credit Balance	\$ 14,860,000	-
Estimated Revenue	1,303,280,000	\$1,311,720,000
Additional Reversions	550,000	-
Total Highway Fund Availability	\$1,318,690,000	\$1,311,720,000

Part IV. Highway Trust Fund Appropriations – Not in controversy.

Part V. Block Grants

COMMUNITY SERVICES BLOCK GRANT

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

SOCIAL SERVICES BLOCK GRANT

01.	County departments of social services (Transfer from TANF - \$4,500,000)	\$ 27,395,663
02.	Allocation for in-home services provided by county departments of social services	2,101,113
03.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04.	Division of Services for the Blind	3,105,711
05.	Division of Facility Services	426,836
06.	Division of Aging - Home and Community Care Block Grant	1,840,234
07.	Child Care Subsidies	3,000,000
08.	Division of Vocational Rehabilitation - United Cerebral Palsy	71,484
09.	State administration	1,693,368
10.	Child Medical Evaluation Program	238,321
11.	Adult day care services	2,155,301
12.	Comprehensive Treatment Services Program	750,000
13.	Transfer to Preventive Health Services Block Grant for emergency medical services	213,128
14.	Transfer to Preventive Health Services Block Grant for HIV/AIDS Prevention Activities	395,789
15.	Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198
16.	Division of Vocational Rehabilitation - Easter Seals Society	116,779
17.	UNC-CH CARES Program for training and consultation services	247,920
18.	Office of the Secretary - Office of Economic Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302
19.	Transfer from TANF Block Grant for Division of Social Services - Child Caring Agencies	1,500,000
20.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services - Developmentally Disabled Waiting List for services	5,000,000
21.	Transfer to Maternal and Child Health Block Grant for Newborn Screenings	90,611

22.	Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	66,939
TOTAL SOCIAL SERVICES BLOCK GRANT		\$ 53,888,298
LOW-INCOME ENERGY BLOCK GRANT		
01.	Energy Assistance Programs	\$ 8,092,113
02.	Crisis Intervention	5,795,825
03.	Administration	1,984,934
04.	Weatherization Program	2,684,116
05.	Department of Administration - N.C. State Commission of Indian Affairs	39,765
06.	Heating Air Repair and Replacement Program	1,252,588
TOTAL LOW-INCOME ENERGY BLOCK GRANT		\$ 19,849,342
MENTAL HEALTH SERVICES BLOCK GRANT		
01.	Provision of community-based services in accordance with the Mental Health Study Commission's Adult Severe and Persistently Mentally Ill Plan	\$ 5,192,826
02.	Provision of community-based services to children	2,378,540
03.	Establish Child Residential Treatment Services Program	1,500,000
04.	Administration	783,911
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		\$ 9,855,277
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
01.	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	\$ 14,501,711
02.	Continuation of services for pregnant women and women with dependent children	6,007,303
03.	Continuation of services to IV drug abusers and others at risk for HIV diseases	5,209,934
04.	Provision of services to children and adolescents	6,839,190
05.	Juvenile Services - Family Focus	774,414
06.	Child Residential Treatment Services Program	700,000
07.	Administration	2,423,049
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		\$ 36,455,601
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
01.	Child care subsidies	\$148,343,839
02.	Quality and availability initiatives	17,259,661
03.	Administrative expenses	6,550,000

04.	Transfer from TANF Block Grant for child care subsidies	76,675,000
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		\$248,828,500

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

01.	Work First Cash Assistance	\$114,181,958
02.	Work First County Block Grants	92,018,855
03.	Transfer to the Child Care and Development Fund Block Grant for child care subsidies	76,675,000
04.	Allocation to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for Work First substance abuse screening, diagnostic, and support treatment services and drug testing	3,500,000
05.	Cash Assistance Reserve	11,676,624
06.	Allocation to the Division of Social Services for staff development	500,000
07.	Reduction of out-of-wedlock births	1,440,000
08.	Substance Abuse Services for Juveniles	1,182,280
09.	Special Children Adoption Fund	2,811,687
10.	Business Process Reengineering Project Reserve	3,000,000
11.	Work First Job Retention – NC Rural Center (\$270,000) Work Central Career Advancement Center (\$380,000)	650,000
12.	Allocation to the Division of Public Health for teen pregnancy prevention	2,015,335
13.	Transfer to Social Services Block Grant for Child Caring Agencies	1,500,000
14.	Child Care Subsidies for TANF Recipients	26,621,241
15.	Work First Housing Initiative - Existing programs (\$1,800,000) - New programs (\$900,000)	2,700,000
16.	Allocation to the Division of Social Services for Domestic Violence Prevention and Awareness	900,000
17.	County Child Protective Services, Foster Care, and Adoption Workers	2,727,550
18.	Intensive Family Preservation Program	1,800,000
19.	Work First/Boys and Girls Clubs	900,000
20.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
21.	Support Our Students – Department of Juvenile Justice and Delinquency Prevention	2,475,607
22.	Residential Substance Abuse Services for Women With Children	4,500,000
23.	Domestic Violence Services for Work First Families	1,800,000

24.	After-School Services for At-Risk Children	2,700,000
25.	Division of Social Services - Administration	500,000
26.	Child Welfare workers and services for local departments of social services	7,654,841
27.	Child Welfare Training	2,000,000
28.	Individual Development Accounts	180,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		\$373,110,978

MATERNAL AND CHILD HEALTH BLOCK GRANT

01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
02.	High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,012,102
03.	Services to Children With Special Health Care Needs	5,078,647
04.	Transfer from Social Services Block Grant for Newborn Screenings	90,611
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		\$ 17,019,434

PREVENTIVE HEALTH SERVICES BLOCK GRANT

01.	Statewide Health Promotion Programs	\$3,061,182
02.	Dental Services/Fluoridation	100,800
03.	Rape Crisis/Victims' Services Program - Council for Women	190,134
04.	Rape Prevention and Education Program - Division of Public Health and Council for Women	1,139,869
05.	Transfer from Social Services Block Grant - HIV/AIDS Prevention Activities	395,789
06.	Transfer from Social Services Block Grant - Emergency Medical Services	213,128
07.	Transfer from Social Services Block Grant – HIV/AIDS education, counseling, and testing	66,939
08.	Office of Minority Health	159,459
09.	Administrative Costs	108,546
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		\$5,435,846

NER BLOCK GRANT FUNDS. – Not in controversy.

Part VI. General Provisions – Makes the following changes: (1) adopts Senate version of amendment to GS 120-47.12 regarding agency legislative liaisons; (2) deletes provision regarding budgeting less than 100% of salary funds to state agencies; (3) changes the amount of reserve to implement HIPAA to \$15 million; changes date of final report of Smart Growth Commission to Nov. 1, 2001; (4) enacts new GS 20-39.1 to establish procedures for the issuance of private, confidential, and fictitious license plates on publicly owned vehicles. Vehicles used for apprehending or arresting lawbreakers and vehicles used for transporting clients of mental health and similar authorities may be issued private plates. Confidential plates may be issued to law enforcement officers. Law enforcement officers engaged in undercover work may be issued fictitious plates.

PART VII. DEP'T OF ADMINISTRATION

Veterans' Scholarship Program. – Not in controversy.

Modifications to the State Employee Incentive Bonus Program. – Not in controversy.

Study of Motor Fleet Management. – Not in controversy.

Motor Pool Operations and Assignment of Vehicles. – Not in controversy.

Study State Capitol Security Services. – Deleted.

Transfer Board of Science and Technology. – Not in controversy.

Domestic Violence Commission Staffing. – Not in controversy.

Petroleum Overcharge Funds Allocation. Appropriates from certain funds remaining in the Special Reserve for Oil Overcharge Funds to the DHHS \$1,300,000 for the 2001-02 fiscal year to be allocated to the Weatherization Assistance Program. Any funds remaining in the Overcharge Funds after this allocation may be expended only as authorized by the General Assembly.

Historically Underutilized Businesses. Provides that the Sec'y of the Dep't of Administration shall maintain the Office of Historically Underutilized Businesses (HUB) as established by Executive Order 150 and addresses reporting to and by the HUB.

PART VIII. OFFICE OF ADMINISTRATIVE HEARINGS

Office of Administrative Hearings Reclassification of Positions. – Not in controversy.

PART IX. OFFICE OF THE STATE AUDITOR

Electronic Distribution of Auditor's Reports. – Not in controversy.

PART X. OFFICE OF THE STATE CONTROLLER

Overpayments Audit. – Not in controversy.

PART XI. DEP'T OF CULTURAL RESOURCES

Completion of the Information Technology Expansion Project and the Information Resource Management Comm'n Project Certification. Modifies House version to provide that the results of the IRMC Project Certification shall be presented no later than March 1, 2002.

Civil War Sites Tourism. Provides that the Dep't of Cultural Resources, the Dep't of Commerce and other organizations shall study the feasibility of creating tourism programs that highlight the state's Civil War History and present a report of their findings and recommendations by April 15, 2002.

PART XII. OFFICE OF THE GOVERNOR

Advisory Comm'n on Military Affairs. – Not in controversy.

Eliminate State Planning Unit and Rename Budget Office. – Not in controversy.

Transfer the Center for Geographic Information Analysis/Geodetic Survey and the Statewide Floodplain Mapping Unit. – Adopts the Senate version.

PART XIII. OFFICE OF STATE PERSONNEL

Abolish Office of State Personnel Prepare Program. – Not in controversy.

PART XIV. GENERAL GOVERNMENT

Use of Internet for Agency Publications. – Not in controversy.

PART XIV-A. GENERAL ASSEMBLY – Deleted.

PART XIV-B. STATE BOARD OF ELECTIONS

Early Voting Funds/Grants. – Not in controversy.

PART XIV-C. DEP'T OF STATE TREASURER – Deleted.

PART XIV-D. DEP'T OF REVENUE

Project Collect Tax. – Not in controversy.

Request for Proposal for Performance-Based Contract for Overdue Tax Collections.

Provides for reporting by the Dep't of Revenue regarding its progress in developing a request for proposal for a performance-based contract to collect overdue tax debts.

State Tax Rate Administrative Costs. Allows the Dep't of Revenue to use specified funds to implement the change in the state sales tax rate enacted by the act.

PART XIV-E. DEP'T OF INSURANCE

Authorization of Reimbursement from the Insurance Regulatory Fund. Amends GS 58-6-25(d) by adding new subsections providing that money credited to the Insurance Regulatory Fund shall be used to reimburse the General Fund for (1) certain money appropriated for the office of Managed Care Patient Assistance Program (2) certain money appropriated to the Dep't of Insurance. Provision only becomes effective if Senate Bill 199, 2001 General Assembly, becomes law.

PART XIV-F. SECRETARY OF STATE

Printing and Distribution of North Carolina Manual. Amends GS 147-54 to provide that 2,350 copies of the manual shall be printed and that each member of the General Assembly shall receive only one copy.

PART XV. INFORMATION TECHNOLOGY

State Agencies to Report on Intellectual Property/Study State Intellectual Property Assets and Technology Transfers. Makes technical changes. Modifies section 15.1.(a) of the House version regarding reporting of proposed or pending transactions involving the release of state grants or loans to a non-state entity. Adds new sections providing that the Board of Science and Technology shall study and make recommendations regarding the transfer and use of intellectual property developed with state resources.

Security Standards for State Information Technology. – Not in controversy.

Executive Budget Act Information Technology Provisions. – Not in controversy.

Computer Networking Costs/Telecommunications Service Billing for State Agencies.

Modifies the House version by changing certain deadlines. Adds a provision requiring the Office of State Personnel to conduct and report on market analyses comparing state and private sector information technology workers. Adds a provision requiring the Office of State Personnel to study and report on the costs of certain information technology networks.

Study State Agency Use of Contractors for Information Technology/Pilot Project Feasibility Study. Makes technical changes to Senate version. Deletes Sections 15.5.(b) and 15.5.(c) from Senate version. Modifies Senate version by changing reporting date. Adds provisions requiring study of outsourcing costs and requiring the Joint Select Committee on Information Technology to conduct a feasibility study of a pilot program to allow budget flexibility for converting information technology contractors to State employees.

E-Procurement/ Procurement Card Program. Adopts Section 15.6.(a) of Senate version.

Adopts Section 15.6.(b) of Senate version, making technical changes, providing that in certain circumstances, the Board of Governors of the University of NC (Board of Governors) may exempt NC State University and the University of NC at Chapel Hill from the electronic procurement system, and providing that certain entities operating an electronic procurement system established prior to Sept. 1, 2001, may, until a certain date, continue to operate that system or opt into the NC service. Adds a new section providing that the Board of Governors shall take steps to

encourage effective utilization of the NC electronic procurement service by the constituent institutions. Adopts Section 15.6.(b) of House version, making technical and other changes.

NC Information Highway Sites. – Adopts Sections 15.7.(a) and (b) of House version with minor changes. Adds new provisions providing that the Community Colleges System Office and Dep't of Public Instruction shall evaluate existing NCIH sites and consider appropriate actions for low utilization sites.

Reduction in Expenditures Based on Its Rate Reductions/No Rate Increases to Offset Reductions. Adds a new provision stating that the Office of Information Technology Services shall not increase rates to offset any reductions required by this act.

PART XVI. HOUSING FINANCE AGENCY

Home Program Matching Funds. – Not in controversy.

PART XVII. DEP'T OF AGRICULTURAL AND CONSUMER SERVICES

Authorize Promotion of NC Farm Products at Rest Areas and Welcome Centers. – Not in controversy.

Transfer of Rural Rehabilitation Corporation to Agricultural Finance Authority. – Makes technical change.

Farmland Preservation Funds. – Not in controversy.

Farmers Markets and Agricultural Centers/Vending Facility Exemption. Amends GS 111-42(c) to include farmers markets and agricultural centers within the definition of state property or state building.

PART XVIII. DEP'T OF LABOR

Labor Dep't/ Elevator Inspection Fee Receipts. Adopts Senate version, changing triggering event to House Bill 232 becoming law.

PART XIX. DEP'T OF ENVIRONMENT AND NATURAL RESOURCES

Statewide Beaver Damage Control Program Funds. – Not in controversy.

Grassroots Science Program. Adopts Senate version, changing amount appropriated for both fiscal years to \$3,120,000 and modifying amounts of grants-in-aid to designated entities.

Agricultural Cost Share Technical Assistance Program Funds. Provides that of the funds appropriated by the act to DENR for the Agricultural Cost Share Program for Nonpoint Source Pollution Control for financial assistance funding, \$240,000 for 2001-02 and 2002-03 shall be used to support the cost-share technical assistance in certain soil and water conservation districts.

Terms for Members of the NC Parks and Recreation Authority. – Not in controversy.

Receipts for Zoological Parks Admission Fee Increase to Be Used For Marketing Purposes. – Not in controversy.

NC Water Quality Workgroup Initiative/Rivernet Monitoring System Pilot Program/Research Funds. – Not in controversy.

Continue One-Stop Permit Assistance Pilot Program. – Not in controversy.

Division of Radiation Protection Self-Sufficiency Program. – Not in controversy.

DENR to Study Feasibility of Transferring Sedimentation Program to Local Governments. – Not in controversy.

Submerged Lands Program/Secretary Designate Program Manager. Changes reporting date to Nov. 1, 2001.

DENR Reclassification of Senior Field Officer Positions Report. Changes reporting date to Jan. 1, 2002.

DENR Study of Environmental Permitting Process. Adopts Senate version.

Reallocate Town Fork Creek Funds. Not in controversy.

Fair Geographic Representation in Appointments to the Environmental Management Commission. – Not in controversy.

DENR Position for Scrap Tire Program. – Not in controversy.

PART XX. DEP'T OF COMMERCE

Tourism Promotion Funds. – Not in controversy.
Wanchese Seafood Industrial Park Funds/Oregon Inlet Funds. Adopts Senate version.
Industrial Recruitment Competitive Fund. Changes reporting date to Jan. 1, 2002.
Abolish Center for Entrepreneurship and Technology. – Not in controversy.
Commerce Study/Consolidate Business and Industry Division Regional Offices and Regional Economic Development Commissions. –Not in controversy.
Worker Training Trust Fund Appropriations. – Not in controversy.
Biotechnology Center. – Not in controversy.
Biotechnology Center/Technological Development Authority, Inc., Profit Sharing With State. – Adds a provision providing that if the Center or Authority fails to execute the specified legal agreement, all disbursements will be suspended until such agreement is executed.
NC Technological Development Authority, Inc./Yadkin/Pee Dee Lakes Projects, Inc./NC Real Enterprises World Trade Center NC Reporting Requirements. – Not in controversy.
Regional Economic Development Commission Allocations. – Not in controversy.
Regional Commission Reports. – Not in controversy.
Council of Government Funds. – Not in controversy.
Industrial Recruitment Competitive Fund. Deleted.
Global Transpark Development Commission Membership Changes. – Not in controversy.
Nonprofit Reporting Requirements. – Not in controversy.
Rural Economic Development Center. Reduces the overall funds that must be allocated in Section 20.15.(a) to specified programs to \$1,788,749 in 2001-02 and 2002-03 and making changes in individual allocations. Reducing overall funds that must be allocated in Section 20.15.(e) to specified programs to \$2,902,000 in 2001-02 and 2002-03 and making changes to individual allocations.
Opportunities Industrialization Center Funds. Makes technical changes and adds a new provision requiring the Rural Economic Development Center, Inc. to file an annual financial statement and providing for auditing of that statement.
Transfer Common Follow-Up Evaluation From OSBPM to ECS. – Not in controversy.
ESC to Expend Reed Act Funds. – Not in controversy.
NC Global Center Funds. – Not in controversy.
Restore Name of ABC Complex. – Not in controversy.

PART XXI. DEP'T OF HEALTH AND HUMAN SERVICES

DHHS Regional Offices. Adds a new provision requiring the DHHS to conduct an inventory of all Wake County offices.
Centralize Criminal Record Check Functions. – Not in controversy.
Prescription Drug Assistance Program Management. Makes technical changes.
Toll-Free Phone Line Inventory and Consolidation. Changes reporting date.
Coordination of Access to Pharmaceutical Company Prescription Drug Programs. Makes technical changes and changes reporting date.
Adult Care Home Reimbursement Rates Implementation Plan. Provides that DHHS shall consider the findings and recommendations in the "Adult Care Home Reimbursement Rates" performance audit and shall implement specified recommendations. Also includes a reporting requirement.
Long-Term Continuum of Care. – Not in controversy.
Recodification of Administrative Rules. – Not in controversy.
Transfer of Certain Funds Authorized. – Not in controversy.
Physician Services. – Not in controversy.
Eliminate Joint Legislative Public Assistance Commission. – Not in controversy.
Establish Office of Policy and Planning. – Not in controversy.
County Health and Human Services Budget Guidance. – Not in controversy.
Information Technology Project Contracts. – Not in controversy.
Use of Savings Realized from Elimination of Positions. – Not in controversy.
Intervention Services Unit. Adopts Senate version with technical changes.

Centralized Contracts System. Adds a provision that the Dep't shall not enter into new contracts for database management until the required centralized contracts system has been implemented.

Family Support Services. – Not in controversy.

HIV/AIDS Prevention Initiative. Makes technical changes.

Office of Economic Opportunity. Deleted.

DHHS Support to Local Governments. Deleted.

Medicaid Program. Makes the following changes. Provides that the professional service fee shall be \$5.60 per prescription for generic drugs and \$4.00 per prescription for brand name drugs. Changes references to Health Care Financing Administration to Centers for Medicare and Medicaid Services. Makes technical changes. Revises Section 21.19.(k) to provide that DHHS may undertake cost containment programs in accordance with Section 3 of S.L. 2001-395. Adds a new provision requiring DHHS to implement a new coding system for therapeutic mental health services. Adds a new provision, becoming effective no earlier than October 1, 2001, allowing DHHS to apply certain federal transfer of assets policies.

Adoption of Medical Coverage Policy Under State Medicaid Program; Medical Coverage Policy Exempt from Rule Making under APA. Provides DHHS shall adopt medical coverage policies for the State Medicaid Program that are consistent with national or Department-defined standards. New or amended policies are exempt from the rule-making requirements of GS Ch. 150B. Provides guidelines for developing, amending and adopting medical coverage policy. Adopts Section 21.20.(b) from House Bill section entitled *Medicaid Definition of Medical Necessity Exempt from Rule Making under APA; Determination of Medical Necessity*, making conforming changes and including an exemption for the NC Federal Tax Reform Allocation Committee.

County Medicaid Cost-Share. – Not in controversy.

NC Health Choice. – Not in controversy.

Disposition of Disproportionate Share Receipt Change. – Not in controversy.

Medicaid Cost-Containment and Growth Reduction. Changes reporting date.

Medicaid Cost-Containment Activities. Adopts provision in House version entitled *Medicaid Cost-Containment Reserve*, making the following changes. Provides that DHHS may use not more than \$3,000,000 in each year of the 2001-03 fiscal biennium in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. Makes conforming changes.

Medicaid Program Management. Removes dollar amount of anticipated cost savings in Section 21.26.(b). Provides factors for the Dep't to consider in determining drugs to be included in the prior-authorization program. Make technical changes.

Carolina Access Program Improvements. – Not in controversy.

Study Optional Services Under Medicaid Program. – Not in controversy.

TBI Medicaid Waiver. Changes reference to the Health Care Financing Administration to the Center for Medicare and Medicaid Services. Changes reporting date.

Special Assistance Demonstration Project. Provides that payments may be made for up to 400 individuals. Provides that the standard monthly payment to individuals enrolled in the Special Assistance demonstration project shall be 50% of the monthly payment the individual would receive if he or she resided in an adult care home and qualified for Special Assistance, with one exception. Sets guidelines for implementation of Special Assistance in-home policies and procedures. Changes reporting dates and information required in reporting.

Senior Center Outreach. – Not in controversy.

Funds for Alzheimer's Association Chapters in NC. – Not in controversy.

Area Agencies on Aging Cost Savings Study; Reduction in Number of Agencies; Funds.

Provides that only the Dep't shall study reducing the number of Area Agencies on Aging, thus eliminating target reduction from 17 to not more than 13 and not fewer than 11.

Division on Aging Consolidation of Sections. – Not in controversy.

Adult Care Home Resident Assessment Services. – Not in controversy.

Quality Criteria for Long-Term Care. – Not in controversy.

Limitations on State Abortion Fund. – Not in controversy.

Special Children Adoption Fund. – Not in controversy.

Foster Care and Adoption Assistance Payments. – Not in controversy.

Special Needs Adoption Incentive Fund. – Not in controversy.

State/County Special Assistance. Adopts House version but adds a provision providing that effective October 1, 2002, the maximum monthly rate for residents in adult care home facilities shall be \$1,120 per month per resident.

State Maternity Home Fund. Adopts Senate version, adding a reporting provision.

Child Welfare System Pilots. – Not in controversy.

State Adult Day Care Fund. – Not in controversy.

Family Resource Centers. Adopts Senate version, making changes including the following. Makes technical changes. Modifies Section 21.48.(a) to provide that DHHS shall evaluate centers that primarily serve families with minor children. Adds a new section providing that in determining the allocation of funding, the Dep't shall ensure that centers have demonstrated that they have collaborative arrangements with other agencies. Amends GS 143B-152.15(b).

Reorganization of Division of Social Services. – Not in controversy.

Intensive Family Preservation Services Funding and Performance Enhancements. Adopts Senate version, with changes. Makes technical changes. Adds a new section providing for intensive services to certain children and families. Makes changes to provisions on data and information to be supplied by programs or entities receiving Intensive Family Preservation Funds. Changes reporting date and requirements. Amends GS 143B-150.5 and 143B-150.6(d). Repeals GS 143B-150.7 through 150.9.

TANF State Plan. Adopts Senate version with changes. Makes technical changes. Includes a provision requiring the DHHS to revise the NC Temporary Assistance to Needy Families State Plan FY 2001-03. Includes county budgeting requirements.

Repeal Recipient Identification System. – Not in controversy.

Child Support Pilot Program/Enhanced Standards. Adopts House version with changes. Deletes Section 21.53.(b). Changes reporting date.

Adult Care Home Model for Community-Based Services. – Not in controversy.

Funds for Child Support Services. Adopts Senate version, adding that \$1,500,000 for the 2002-03 fiscal year shall be used for the same purpose.

TANF Cash Assistance Flexibility; Study Maintenance of Effort. Deleted.

Child Support Receipt Shortfall. Deleted.

Liability Insurance. – Not in controversy.

Private Agency Uniform Cost-Finding Requirement. – Not in controversy.

Butner Community Land Reservation. – Not in controversy.

Mental Health Developmental Disabilities, and Substance Abuse Services Trust Fund for System Reform Bridge and Capital Funding Needs and Olmstead. Amends GS Ch. 143, adding a new section establishing a trust fund for mental health, developmental disabilities, and substance abuse services and bridge funding needs. Sets out how monies in the fund may be used. Requires DHHS to develop a plan for the use of funds. Provides for transfer of funds from other sources into the trust fund.

NonMedicaid Reimbursement Changes. – Not in controversy.

Comprehensive Treatment Services Program. Provides that the program shall include a system of identifying and tracking children placed outside of the family unit. Requires that the Memorandum of Agreement described in Section 21.60.(d). address availability of student records to a school unit receiving a child placed outside the child's home county. Changes reporting requirements.

Whitaker School. Adopts the Senate version with changes. Provides that DHHS will work with specified others to develop a plan for the transition of children from the school to their homes or alternative facilities. Contains reporting requirements.

Mental Retardation Center Transition Plan. Makes conforming changes. Changes Section 21.62.(d) to provide that before closing one or more State mental retardation centers, the Dep't shall report the closure to the Joint Legislative Commission on Governmental Operations.

Dorothea Dix Hospital. Requires identification of alternative locations for the new hospital. Changes reporting dates.

Reorganization of Division of Mental Health, Developmental Disabilities and Substance Abuse Services. Changes reporting date.

Reduce Administrative Costs of Area Mental Health, Developmental Disabilities, and Substance Abuse Authorities. Changes reporting date.

Services to Multiply-Diagnosed Adults. – Not in controversy.

Downsizing of Mental Retardation Centers. Makes conforming changes and changes reporting date.

State Psychiatric Hospital Bed Allocation Plan. Changes reporting date.

Child Care Allocation Formula. Makes technical changes. Changes the formula for the county's initial allocation. Modifies the provision on reallocation of unused funds.

Child Care Funds Matching Requirement. – Not in controversy.

Child Care Revolving Loan. – Not in controversy.

Early Childhood Education and Development Initiatives. – Not in controversy.

Child Care Subsidy Rates. Changes the provision on payment rates for child care providers in counties that do not have at least 75 children in each age group for center-based and home-based care.

Division of Child Development Reorganization. – Not in controversy.

Early Childhood Education and Development Initiatives Enhancements. Makes technical changes. Modifies Section 21.75.(a) by changing the policies DHHS and the NC Partnership for Children, Inc. must develop and implement. Further reduces allocation of funds to the NC Partnership for Children, Inc. Changes Section 21.75.(i) to amend GS 143B-168.12. Adds a new section on reporting.

Early Childhood Education and Development Initiatives Evaluation. – Not in controversy.

Development of More at Four Pilot Program. Makes technical changes.

Services for the Blind. Deleted.

Consolidation and Transfer of Program Funds in the Division of Services for the Blind. – Not in controversy.

Eligibility for Vocational Rehabilitation and Independent Living Services. – Not in controversy.

Maximization of Receipts for Early Intervention Programs. – Not in controversy.

Create Office of Education Services. – Not in controversy.

Closure of Central NC School for the Deaf at Greensboro. – Not in controversy.

Residential Schools for the Deaf. – Not in controversy.

Preschool Programs for the Deaf. – Not in controversy.

Early Intervention Pilots. – Not in controversy.

Evaluation of Early Intervention System. Changes reporting requirement.

Immunization Program Restitution Policy. Adds a provision providing that the section becomes effective when it becomes law.

Immunization Program Funding. – Not in controversy.

Prescription Drug Assistance Program. Adopts the Senate version.

Adolescent Pregnancy Prevention Initiatives. Adopts the Senate version with changes. Makes changes to funding provisions. Adds subsections providing that the Dep't may require an in-kind match of funds and that the Dep't shall periodically evaluate the effectiveness of teen pregnancy prevention programs.

AIDS Drug Assistance Program (ADAP). – Not in controversy.

Division of Public Health Reorganization. Changes reporting date.

Division of Public Health Nurse Consultant and Public Health Educator Consolidation. Provides that the DHHS shall, in partnership with others, evaluate nurse consultant and health educator positions to determine feasibility of consolidating duties and responsibilities. Adds a reporting requirement.

State Laboratory. – Not in controversy.

Enhancement of State Center for Health Statistics. Deleted.

Centralization of Statistical Management and Analysis Functions. Providing for the centralization of statistical management and analysis functions across the DHHS.

Public Health Prevention Activities Report. – Not in controversy.

Heart Disease and Stroke Prevention Task Force. – Not in controversy.

Newborn Hearing Screening Report Program. – Not in controversy.

Intensive Home Visiting. Modifies Section 21.97.(a) prohibiting DHHS from using State funds to contract for evaluation or technical assistance for the 2001-02 fiscal year. Includes requirements if DHHS enters into such contracts using non-State funds.

Access to Oral Health Care. Adopts the Senate version with changes. Requires that specified funds appropriated to DHHS be used to develop and implement a plan to improve access to dental services for certain individuals. Restricts use of funds.

Contractual Service Limitation. Makes technical changes and changes to provisions on data collection.

Prescription Drug Initiatives Grant Funds. — Not in controversy.

PART XXII. JUDICIAL DEPARTMENT

Transfer of Equipment and Supply Funds. — Not in controversy.

Report on Community Mediation Centers. — Makes technical change.

Sentencing Services Report — Not in controversy.

Add Special Superior Court Judge/Eliminate Vacant Superior Court Judgeship in District 4B/Add Superior Court Judgeship in District 24. — Adds new provision, effective Oct. 1, 2001, authorizing the Governor to appoint a special superior court judge for a five-year term to serve under the same requirements as regular superior court judges except the requirement of residence in a particular district. Modifies effective date to incorporate approval requirement under the Voting Rights Act. Remainder not in controversy.

Business Court.— Not in controversy.

Eliminate Unnecessary or Obsolete Reports. — Not in controversy.

Collection of Worthless Checks Fund.— Not in controversy.

Authorize Family Drug Treatment Courts To Serve Addicted Parents of Abused and Neglected Children and To Serve Substance-Abusing Juvenile Offenders Who Come Under the Courts' Jurisdiction/Drug Treatment Court Program for Judicial District 28.— Incorporates provisions from Senate version. Adds provision authorizing the Judicial Department to seek non-state funds and provide technical assistance to local drug treatment court planning committee to implement program in the 28th Dist.

Transfer of Funds to Office of Indigent Defense Services.— Increases authorization for transfer of funds to cover fees held over from the 2000-2001 fiscal year from \$1,500,000 to \$2,400,000.

North Carolina State Bar Funds. — Not in controversy.

Assistant Public Defender Longevity/Office of Indigent Defense Services Amendment And Corrections.-- Adds new section to amend GS 7A-498.4(b) to specify that certain members of the Commission on Indigent Defense Services must be attorneys. Remainder not in controversy.

Office of Indigent Defense Services Report.— Not in controversy.

Assistant Public Defenders/Public Defender Office Personnel. —Not in controversy.

Dedicate a Portion of Court Costs to Provide Access to Civil Justice.— Incorporates provisions from Senate version, but changes from \$1.15 to \$1.05 the amount to be remitted to the State Bar for purposes set out in the bill. Adds reporting requirement and effective date of Jan.1, 2002.

Pisgah Legal Services Funds.— Deleted.

Authorize Additional Magistrate — Reduces maximum number for Brunswick from 10 to 9.

Eliminate Vacant District Court Judgeship. — Eliminates 1 judgeship in Dist. 17A, giving that district 2 rather than 3.

Part XXIII. Department of Justice

Use of Seized and Forfeited Property. — Makes technical change.

Private Protective Services and Alarm Systems Licensing Boards Pay for use of State Facilities and Services. — Not in controversy.

Certain Litigation Expenses to be Paid by Clients. — Not in controversy.

Reimbursement for UNC Board of Governors Legal Representation. — Not in controversy.

Report on Criminal Records Checks Conducted for Concealed Handgun Permits/Study Fee Adjustment for Criminal Records Checks. — Not in controversy.

Criminal Justice Information Network Report/Add Representative from the Department of Juvenile Justice and Delinquency Prevention to the Board. — Not in controversy.

Provide for Collection of Traffic Law Enforcement Statistics on Stops made by Certain Local Law Enforcement Agencies. — Adopts Senate provision with addition that the division publish and distribute by Dec. 1 of each year a list indicating the law enforcement officers that will be subject to the provisions of the subdivision during the calendar year commencing on the following Jan. 1.

Drug Education Program Training/Review. — Not in controversy.

Abolish Office of Inspector General. — Not in controversy.

Attorney General to Report on Pending Lawsuits. — Not in controversy.

Part XXIV. Department of Juvenile Justice and Delinquency

SOS Administrative Cost Limits and Repeal Conference Requirement. — Not in controversy.

Juvenile Crime Prevention Council Grant Reporting, Certification, and Funding of Research-Based Programs. — Not in controversy.

Reports on Certain Programs. — Not in controversy.

State Funds May Be Used as Federal Matching Funds. — Not in controversy.

Annual Evaluation of Community Programs. — Not in controversy.

Continue Cumberland Juvenile Assessment Center. — Makes technical changes.

Teen Court Guidelines Codified. — Strengthens reporting requirements of courts to Dept. of Juvenile Justice and Delinquency Prevention.

Youth Development Center Plans. — Not in controversy.

Transfer Funds and Positions to the Department of Health and Human Services. — Not in controversy.

Expand Number of Juveniles Served by Eckerd Camp. — Appropriates \$351,233 to increase number of juveniles served at Eckerd Camp.

Part XXV. Department of Correction

Earned Time Credit for Medically and Physically Unfit Inmates. — Not in controversy.

Federal Grant Reporting. — Not in controversy.

Limit Use of Operational Funds. — Not in controversy.

Reimburse Counties for Housing and Extraordinary Medical Costs for Inmates, Parolees, and Post-Release Supervisees Awaiting Transfer to State Prison System. — Not in controversy.

Use of Closed Prison Facilities. — Not in controversy.

Inmate Costs/Medical Budget for Prescription Drugs. — Not in controversy.

Federal Grant Matching Funds. — Not in controversy.

Structures Sentencing Study. — Makes technical changes.

Extend Limits of Confinement for Terminally Ill and Permanently and Totally Disabled Inmates. — Adopts Senate provision.

Energy for Committed Offenders/Contract and Report. — Not in controversy.

Medium Custody Road Crew Compensation. — Directs that \$2,842,233 appropriated from Highway Fund to Dep't of Correction for 2001-2002 is one-time appropriation to ensure that dep't is fully reimbursed for highway-related labor performed by prisoners for 1999-2001.

Clarify Law Providing for Compensation to Persons Erroneously Convicted and Increase the Amount of Compensation Allowed. — Adopts Senate provision.

Reduce Summit House Appropriation. — Not in controversy.

Modification of Funding Formula for the North Carolina State-County Criminal Justice Partnership Formula/Unexpended Balance Reversion. — Not in controversy.

Post-Release Supervision and Parole Commission/Report on Staffing Reorganization and Reduction. — Not in controversy.

Reports on Nonprofit Programs. — Not in controversy.

Exemption from Licensure and Certificate of Need. — Not in controversy.

Report on Probation and Parole Caseloads. — Not in controversy.

Report on Inmates Eligible for Parole. — Not in controversy.

Impact Program. — Increases appropriation for program to \$5,028,261 for 2001-02 and \$4535,435 for 2002-03, and states that it is intention of General Assembly that the IMPACT boot camp program be eliminated by June 30, 2003.

Contracting for Inmate Health Care. — Directs Dep't of Correction to expand its efforts to determine the benefits of contracting for inmate health care services and report to the appropriate committees of the General Assembly on those efforts by Feb. 15, 2002.

Charges for Inmate Health Care. — Deleted.

Authorize Prison Construction. — Authorizes dep't to contract for construction of 3 new close-custody facilities, to be located in Anson, Alexander, and Scotland counties.

Part XXVI. Department of Crime Control and Public Safety

Annual Evaluation of the Tarheel Challenge Program. — Not in controversy.

Legislative Review of Drug Law Enforcement and Other Grants. — Not in controversy.

Victims Assistance Network Report. — Not in controversy.

Revise Report on Crime Victims Compensation Fund. — Not in controversy.

Boxing Commission Reports/Funds Do Not Revert. — Deleted.

Termination of Certain ALE Positions. — Not in controversy.

Transfer Community Service Work Program and Terminate Vacant Positions. — Effective Jan. 1, 2002, merges Community Service Work Program of Div. of Victims and Justice Services of Dep't of Crime Control and Public Safety with Div. of Community Corrections of Dep't of Correction.

PART XXVII. DEPARTMENT OF TRANSPORTATION

Repeal Bond Retirement Transfer from Highway Fund to Highway Trust Fund — Not in controversy.

Design-Build Transportation Construction Contracts Authorized — Not in controversy.

Small Urban and Contingency Funds — Reduces appropriation for FY 2001-02 from \$15 million to \$12 million.

Cash-Flow Highway Fund and Highway Trust Fund Appropriations — Not in controversy.

Western North Carolina Rail Operations and Station Right-of-Way Acquisition Funds — Combines section previously entitled Western NC Amtrak Thruway Bus Service Operations and Station Right-Of-Way Acquisition Funds with section previously entitled Department of Transportation to Negotiate on Western North Carolina Rail Service, and makes following changes. From funds appropriated to DOT for passenger rail service in Western NC for FY 2001-02, authorizes up to \$250,000 to contract for engineering study to determine necessary infrastructure for passenger rail service in Western NC; and authorizes up to \$300,00 for right-of-way station in City of Asheville (was, \$320,000 for stations in Asheville and Town of Valdese). Provides for reversion of \$550,000 (was, \$320,000) of remaining unencumbered funds for FY 1998-99 for Western NC passenger rail service. Also requires DOT to report to Joint Legislative Comm'n on Governmental Operations and Joint Legislative Transportation Oversight Committee at least 30 days before expending funds appropriated in prior years; changes due date and recipients of reports from DOT.

Charlotte Station — Deleted.

Highway Trust Fund Study Committee — Deletes requirement that each of appointments must be from different distribution region.

Charlotte Downtown Intermodal Station — Makes technical changes.

Division 3 Headquarters Complex Funds — Not in controversy.

Department of Transportation Authorized to Accept Electronic Bids — Not in controversy.

Department of Transportation Authorized to Establish an Escort Driver Certification Program — Deletes provisions on issuance of initial identification cards, learner's permits, and drivers licenses.

DMV/Proof of Residency/Social Security #/ITIN — Adds new provision amending GS 20-7 as follows. Requires that of two forms of ID presented by applicant to obtain ID card, learners permit, or drivers license, one must indicate applicant's residence; directs DMV to adopt rules governing adequacy of proof of residency and address, provides examples of documents that are reasonably reliable indicators of residency, and allows applicant to submit affidavit swearing to address if applicant cannot produce any of specified documentation. Allows applicant to provide valid individual taxpayer identification number (ITIN) in lieu of social security number if applicant is ineligible for one. Prohibits DMV from issuing, renewing, or accepting address change with

respect to ID card, learners permit, or drivers license unless applicant has social security number or ITIN. Effective Jan. 1, 2002.

Transfer Responsibilities of Governor's Highway Safety Program to the Office of the Secretary of Transportation — Not in controversy.

Drivers License/Motor Vehicle Registration Section Consolidation Study — Not in controversy.

Appropriation to the Department of Transportation to Fund Aviation Grants — Not in controversy.

DOT Regulation of the Transit of Motor Homes — Not in controversy.

Asphalt Pavement Recycling — Adopts Senate version.

Aviation Division Study the Transfer of the Global Transpark Airport — Changes due date and recipients of study.

State Board of Community Colleges to Study Transfer of Global Transpark Education and Training Center — Changes due date and recipients of study.

Contract Agent Rate Increase — Not in controversy.

Issuance of Temporary Rules Governing Minimum Criteria Transportation Projects — Makes technical change.

Department of Transportation Productivity Pilot Programs — Not in controversy.

Department of Transportation Cash Flow Management — From cash balance of Highway Trust Fund, authorizes DOT to use \$220 million (was, \$200 million) in FY 2001-02, \$205 million (was, \$150 million) in FY 2002-03, and \$255 million (was, \$150 million) in FY 2003-04. Changes allocations of those funds as follows: Authorizes \$150 million (was, \$120 million) for primary route preservation in each of fiscal years 2002-03 and 2003-04 and authorizes up to 10% of amounts allocated for 2001-04 to be used in discretion of Transportation Sec'y for highway improvement projects that further economic growth in rural and small urban areas, that are in Transportation Improvement Program, and that are approved by Board of Transportation; authorizes \$20 million in FY 2001-02, \$25 million in FY 2002-03, and \$75 million in FY 2003-04 for public transportation. Also adds new GS 136-176(b1) authorizing Transportation Sec'y to transfer funds allocated under subsection GS 137-176(b) for other projects in accordance with procedures specified in new subsection.

State Tire Retreading Contract — Not in controversy.

State Highway Patrol to Report to Legislative Oversight Committees on Budgetary Matters — Not in controversy.

Legislative Research Commission to Study Nonbetterment Utility Relocation Costs in Highway Construction — Not in controversy.

Department of Transportation to Evaluate the Locations of Proposed Public and Private Schools to Enhance Traffic Operations and Safety — Makes technical change.

Regional Public Transportation Authority Capital Reserve Fund Accumulation — Not in controversy.

Rail Division Funds for Railroad Bridge Replacement Project Planning and Preliminary Engineering — Deletes provision directing DOT to use up to \$1 million of appropriation to DOT Public Transportation Division for new start projects and to use up to \$5.3 million of appropriation to DOT Rail Division for other projects designated by NC Railroad Board of Directors. Provides that of funds appropriated to DOT Rail Division, up to \$800,000 shall be used for planning and preliminary engineering of Neuse railroad bridge east of Kinston replacement project and Highway 54 railroad bridge in Research Triangle Park replacement project.

PART XXVIII. PUBLIC SCHOOLS

Litigation Reserve Funds Do not Revert — Not in controversy.

Children with Disabilities — Decreases from \$2,662.87 to \$2,650.28 amount allocated per child.

Funds for Academically Gifted Students — Not in controversy.

At-Risk Student Services/Alternative Schools — Not in controversy.

Uniform Education Reporting System (UERS) — Not in controversy.

Supplemental Funding in Low-Wealth Counties — Makes technical change.

Small School System Supplemental Funding — Changes base for consolidated funds allotment to at least \$540,074 (was, \$466,000).

Funds to Implement the ABCs of Public Education Program — Not in controversy.

Students with Limited English Proficiency — Not in controversy.

Expenditures for Driving Education Certificates — Not in controversy.

Teacher Salary Schedules — Not in controversy.

School Administrator Salary Schedules — Not in controversy.

Central Office Salaries — Not in controversy.

Noncertified Personnel Salaries — Not in controversy.

High School Exit Exams — Not in controversy.

Fairness in Testing Program — Adds new GS 115C-36(39) requiring local school board to adopt policies that include opportunities for parents and guardians to discuss decisions to retain students; deletes provision that would have given parent or guardian right to appeal and related rights. Requires Joint Legislative Education Oversight Committee to evaluate alternative schools. Deletes new GS 115C-105.48, which would have provided that school referring student to alternative school would continue to have been accountable for student's educational performance and that alternative school may have been accountable. Changes effective date of amendments to GS 115C-288(a) and 115C-105.41 to Dec. 1, 2001.

Full Program Authorizing the Use of Mentor Funds for Full-Time Mentors — Not in controversy.

Support for Initially Certified Teachers — Adds provision directing State Board of Education to study mentor program and performance-based licensure program to determine whether these programs provide adequate support for initially certified teachers.

Phase in ADM Reductions Due to Charter Schools — Not in controversy.

Medicaid Outreach — Not in controversy.

Funds for Noninstructional Support Personnel May Be Used for Staff Development — Not in controversy.

Study Textbook Distribution System — Eliminates as one of listed study issues the advisability of eliminating or restructuring the Textbook Commission to improve local control of textbooks.

Abolish the North Carolina Standards Board for Public School Administration — Not in controversy.

Guidelines for Charter School Enrollment — Deletes amendment to GS 115C-238.29D(b), which would have allowed State Board of Education to authorize up to 125 instead of 100 charter schools statewide. Eliminates requirement that State Board of Education transfer \$250,000 to Charter School Reserve each year of 2001-03 biennium to implement increase in number of charter schools.

Charter School Advisory Committee/Charter School Evaluation — Not in controversy.

Teacher Academy — Not in controversy.

Modify Law Regarding Children with Disabilities — Not in controversy.

Closing the Achievement Gap — Deletes amendments to GS 115C-105.35 and GS 115C-105.20(a) concerning preparing children to read at grade level and to enjoy reading before they enter second grade. Revises new GS 115C-105.27(1a) to provide that school improvement plan shall include a plan for preparing students to read at grade level by the time they enter second grade (was, plan ensuring that they read at grade level before they enter second grade); also provides that school improvement plan shall require kindergarten and first grade teachers to notify parents or guardians when child is not reading at grade level and is at risk of not reading at grade level by time child enters second grade. Encourages State Board of Education to consider standards for kindergarten, first grade, and second grade that could be included in state's assessment of school's performance. Changes due date for report by State Board of Education on closing the achievement gap.

Clarify Law Regarding Mentors for Second-Year Teachers — Not in controversy.

Funds for the Testing and Implementation of the New Student Information System — Not in controversy.

Expenditure of Funds to Improve Student Accountability — Not in controversy.

Study the Salaries of School Food Service Workers and Custodians — Not in controversy.

Character Education — Not in controversy.

Study of Salary Differentials for Instructional Personnel and for Instructional Support Personnel — Not in controversy.

Flexibility to Implement Base Budget Reduction — Adds provision that Dep't of Public Instruction may convert state-paid contracted position to state-paid employee position only if conversion will save state resources and resulting number of positions does not exceed total authorized in appropriations to Dep't of Public Instruction. Requires Dep't by June 30, 2002, to convert sufficient state-paid contracted positions to employee positions to accomplish annualized savings of at least \$390,000. Requires Dep't to report to Joint Legislative Education Oversight Committee prior to May 1, 2002.

Funds for Instructional Supplies — Provides that funds appropriated in act for classroom supplies shall be used to enable classroom teachers to purchase up to \$100 for supplies for their classrooms. Requires local school administrative units to report to Dep't of Public Instruction by Feb. 15, 2002, and requires Dep't of Public Instruction to report to Joint Legislative Education Oversight Committee and Joint Legislative Comm'n on Governmental Operations by April 1, 2002.

NC Wiseowl Web Site — Not in controversy.

Overtime for School Employees — Not in controversy.

Funds for Teacher Recruitment Initiatives — Not in controversy.

Limitation on Use of Kindergarten Funds — Adds provision reducing maximum class size limits for kindergarten by one (to one teacher for every 19 students) for 2000-01, and by two (to one teacher for every 18 students) by 2002-03.

Explornet Audit — Adds provision that 80% of any funds disbursed pursuant to this section shall be distributed in the form of grants to local school administrative units.

Low Wealth Transition Funds — Authorizes State Board of Education to allocate funds from Average Daily Membership Contingency Reserve and from State Aid to Local School Administrative Units to local school administrative units when low-wealth supplemental funding decreases by specified amount. Limits allocation to 60% of decrease in funding for each local unit. Applies to FY 2001-02 only.

Substitute School Personnel/Unemployment Definition — Adds new GS 96-8(10)e. providing that no substitute teacher or other substitute school personnel shall be considered unemployed for days or weeks when not called to work unless the individual is or was a permanent school employee regularly employed as a full-time substitute during that time.

School Bus Replacement — Adds provision that if state replaces school bus during FY 2001-02 in one of the two county school administrative units with the lowest average daily membership, that local unit may retain at no cost one bus that would be declared surplus for use as a student activity bus.

XXIX. HIGH PRIORITY SCHOOL ASSISTANCE AND ACCOUNTABILITY

Immediate Assistance to the Highest Priority Elementary Schools — Eliminates bonus of \$500 to state and local teachers in priority schools, reducing total appropriation from General Fund to State Aid to Local School Administrative Units by \$531,458 for each year of 2001-03 biennium.

Immediate Actions to Address Teacher Shortage — Increases allocation from \$1,968,542 to \$2.5 million for each year of 2001-03 biennium. Of these funds, increases allotment for annual bonuses for certain math, science, and special education teachers from \$968,542 to \$1.5 million each year of 2001-03 biennium for increase in bonus of \$1,150 to \$1,800 per teacher. Adds provision that it shall not constitute a demotion for teacher who receives a bonus to be reassigned to school or position for which there is no bonus or for bonus to be discontinued or reduced.

Comprehensive Assistance to Continually Low-Performing Schools — Not in controversy.

Additions to the Local Superintendent's Plan to Improve a Low-Performing School — Provides that section becomes effective when act becomes law.

Appropriations for Continually Low-Performing Schools — Adds provision stating that notwithstanding any other provision of law, State Board of Education may implement intervention strategies for 2001-02 school year that it deems appropriate.

Evaluation of Initiatives to Assist High-Priority Schools — Increases maximum class size from one to two over allotment ratio for portion of 2001-02 school year beginning Jan. 1, 2002, for

grades K-3 in high-priority schools. Also adds provision allowing local school administrative unit that is unable to implement class-size limitation for high-priority school for 2001-02 school year to request waiver. Requires that evaluation of initiatives to assist high-priority schools include assessment of impact of bonuses for certain math, science and special education teachers.

Allocation of Federal Funds for Priority Schools — Not in controversy.

XXX. COMMUNITY COLLEGES

Community College Funding Flexibility — Not in controversy.

Permit Transfers of Funds to the New and Expanding Industry Training Program — Not in controversy.

Reorganization of the Human Resources Development Program — Not in controversy.

Management Information System Funds — Not in controversy.

Employment Security Commission Funds/Extend Training and Reemployment Contribution — Amends GS 96-6.1(a) to change threshold when training and reemployment contribution is due and extends such contributions to calendar quarters up to Jan. 1, 2006 (was, Jan. 1, 2002). Sets forth rates of contribution when training and reemployment contribution applies and when it does not apply.

Modify Term of Community College Faculty Contracts — Not in controversy.

Realignment of Accounts for Institutional and Administrative Support — Not in controversy.

Study of Discrepancies in Faculty Salaries — Not in controversy.

State Board Reserve Allocations — Not in controversy.

Consolidate and Coordinate Workforce Development Programs. Adopts Senate version on transferring Bureau of Training Initiatives from Dept. of Labor to Community Colleges System, except provides that changes may not take place before Jan. 1, 2002 (was, Oct. 1, 2001). Also transfers Apprenticeship program no earlier than Jan. 1, 2002, from Dept. of Labor to Community Colleges System.

Transfer of Cash Balances — Not in controversy.

Asheville-Buncombe Technical Community College Funds Do not Revert — Not in controversy.

Maintenance of Plant Operations — Not in controversy.

Focused Industrial Training Program — Not in controversy.

Community Colleges System Office Flexibility — Deleted.

Home Schooled High School Students May Take Developmental Courses at Community Colleges — Deleted.

Community College Trustees/Travel Reimbursement — Amends GS 115D-117 to provide that expenses for out-of-state travel, meals, and lodging for trustees may be reimbursed from local funds in discretion of local board but may not be reimbursed from state funds.

PART XXXI. UNIVERSITIES

Aid to Private Colleges — Adds new GS 116-21.4 providing that expenditures pursuant to GS 116-19 through GS 116-21.2 may be used only for secular educational purposes; also provides that expenditures under those sections may not be used for any student who has committed certain criminal offenses. Amends new GS 116.21.3 to provide that legislative tuition grant shall be reduced by 25% for any student who has completed 140 semester hours or equivalent. Amends GS 116-19 to require State Education Assistance Authority to include in its annual report to Joint Legislative Education Oversight Committee information on scholarships under that section.

Academic Market Pilot Program — Not in controversy.

Aid to Private Medical Schools/Funding Formula — Not in controversy.

Study Professional Development Programs for Public School Professionals — Not in controversy.

Teacher Assistant Scholarship Fund — Not in controversy.

UNC Budget Flexibility/Must Honor Budget Reductions — Not in controversy.

Offer Teacher Education Programs through Distance Education — Adds provision requiring UNC Board of Governors to determine funds to be allocated to each eligible constituent university

based on number of student credit hours taught in teacher preparation courses through distance education at that institution.

UNC Surplus Property Guidelines — Requires UNC Board of Governors and Dept. of Administration to develop guidelines and methods by March 1, 2002, for disposing of surplus property. Requires report to Appropriations Committees of House and Senate by March 15, 2002.

Substitution of UNC-CH Bond Projects — Not in controversy.

Masters Ed. Administration at A&T State, NCCU, UNC-Pembroke/Study Possible Pharmacy School at ECSU/Study Possible Dentistry School at ECU and Possible Engineering School at ECU, Western Carolina, and UNC at Asheville — Not in controversy.

UNC Board of Governors May Authorize Certain Management Flexibility for Special Responsibility Constituent Institutions — Adopts Senate version with following changes. Changes date by which Board of Governors must adopt policies, compensation structures, and pay ranges for appointment and compensation of senior personnel to Jan. 1, 2002 (was, Sept. 30, 2001); deletes provisions concerning management flexibility for other personnel, property, and purchases (see subsections (d), (e), and (f) of GS 116-40.22 in Senate version) and directs further study of those issues; and requires that Board of Trustees of constituent institution report to Joint Legislative Education Oversight Committee as well as to Board of Governors.

Progress Board — From funds appropriated to UNC Board of Governors for Strategic Initiative Reserve for each year of 2001-03 biennium, allocates \$250,000 for Progress Board.

Transfer Chinqua-Penn Plantation Funds — Not in controversy.

UNC Board of Governors Report on Overhead Receipts — Not in controversy.

Focused Growth Institutions/Use Overhead Receipts — Deleted.

UNC System/Increase Out-of-State Tuition Rate/Limit In-State Tuition Cost — Deleted.

PART XXXII. SALARIES AND EMPLOYEE BENEFITS

Governor and Council of State/No Salary Increases — Not in controversy.

Nonelected Department Head/No Salary Increases — Not in controversy.

Certain Executive Branch Officials/No Salary Increases — Not in controversy.

Judicial Branch Officials/No Salary Increases — Not in controversy.

Clerk of Superior Court Salary Increases — Not in controversy.

Assistant and Deputy Clerks of Court/Salary Increase — Not in controversy.

Magistrates' Salary Increases — Not in controversy.

General Assembly Principal Clerks — Not in controversy.

Sergeant-at-Arms and Reading Clerks — Not in controversy.

Legislative Employees — Not in controversy.

Community Colleges Personnel/Salary Increases — Not in controversy.

University of North Carolina System/EPA Salary Increases — Not in controversy.

Most State Employees — Not in controversy.

All State Supported Personnel — Not in controversy.

Temporary Sales Tax Transfer for Wildlife Resources Commission Salaries — Not in controversy.

Clean Water Management Trust Fund Personnel — Not in controversy.

Limit Clean Water Management Trust Fund Administrative Expenses — Amends GS 113-145.3(d) to allow up to 2% of annual balance of Fund on July 1 or \$1,250,000, whichever is greater, for administrative expenses.

Severance Pay/Salary Adjustment Fund — Not in controversy.

State Employee Health Plan Changes — Deleted.

New Receipt-Supported Positions/Consultation Requirement — Adds new GS 143-34.1 requiring agencies of state government to consult with Joint Legislative Comm'n on Governmental Operations before establishing receipt-supported positions.

Salary-Related Contributions/Employers — Decreases state's employer contribution rates for retirement and related benefits for 2001-03 from 5.02% to 5% for teacher and state employees and from 10.02% to 10% for state law enforcement officers.

Temporary Employees of the General Assembly — Amends GS 120-32(1) to provide that such employees are exempt from GS 135-3(8)c. as to compensation earned in that status. Effective Jan. 1, 2001.

Provide Cost-of-Living Increases for Retirees of the Teachers' and State Employees' Retirement System, the Judicial Retirement System, and the Legislative Retirement System — Not in controversy.

Increase Local Retirement Benefits — Not in controversy.

Optional Retirement Program for the North Carolina Community Colleges System — Adopts Senate version.

Optional Retirement Program Study Commission — Increases membership of commission from 15 to 17 members, increasing from two to four appointments by Governor, two of whom must be practicing actuaries and two of whom must be administrators of a private retirement system.

To Shorten the Amount of Time Retired Teachers Must Be Retired Before They Return to Work — Increases period of minimum retirement from 4 to 6 months to obtain protections of section.

Retirement System Actuary — Adopts Senate version.

University System Optional Retirement Plan for Senior Administrators/AG Extension — Adopts Senate version except deletes section covering UNC administrators and faculty with rank of instructor or above; continues to cover UNC employees appointed by Board of Governors on recommendation of President or appointed by Board of Trustees of constituent institution of UNC on recommendation of Chancellor.

Remove the Cap on Sick Leave Creditable to Retirement for Members of the Teachers' and State Employees' Retirement System — Not in controversy.

Sick Leave/Judicial Retirement — Not in controversy.

Amend Membership Requirements — Not in controversy.

Dues Deduction for Retirees — Not in controversy.

Allow the Purchase of Withdrawal Service in the Teachers' and State Employees' Retirement System — Not in controversy.

Allow Payment of Death Benefits to Legal Representative — Deleted.

Disability Income Plan Conforming Change — Amends GS 135-108 as title indicates.

PART XXXIII. CAPITAL APPROPRIATIONS

General Fund Capital Appropriations/Introduction — Not in controversy.

Capital Appropriations/General Fund — Increases Repairs and Renovations Reserve Account from \$100 million to \$125 million.

Total Capital Appropriation – General Fund — Not in controversy.

Procedures for Disbursement of Capital Funds — Not in controversy.

Encumbered Appropriations and Project Reserve Funds — Not in controversy.

Expenditures of Funds from the Reserve for Repairs and Renovations — Not in controversy.

Capital Improvement Projects/Supplemental Funding Approval/Reporting Requirement — Not in controversy.

Project Cost Increase — Not in controversy.

New Project Authorization — Not in controversy.

Advance Planning of Capital Improvement Projects — Not in controversy.

Appropriations Limits/Reversion or Lapse — Not in controversy.

Samarkand Timber Sale — Not in controversy.

PART XXXIV. EDUCATION/HUMAN RESOURCES/MENTAL HEALTH REVENUE INITIATIVES

Identical to H 231, 5th edition, adopted 9/18/01, with following exceptions: Provides that tax rate to be applied to gross premiums and/or gross collections from membership dues received by Article 65 corporations, and tax rate to be applied to gross premiums on insurance contracts issued by HMO's, is .833% instead of 1% for taxable year 2002; continues to use 1% tax rate on such receipts for taxable years beginning Jan. 1, 2003.

PART XXXVI. MISCELLANEOUS PROVISIONS

Not in controversy.

September 26, 2001

SL 2001-424 (S 1005). THE APPROPRIATIONS ACT OF 2001. *AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.* Summarized in *Daily Bulletin* 4/5/01, 5/29/01, 5/30/01, 5/31/01, 6/4/01, 6/27/01, 6/28/01, and 9/20/01. Enacted Sept. 26, 2001. Effective July 1, 2001, except as otherwise provided.