

May 22, 2006

H 2351. 2006 GOVERNOR'S BUDGET (=H 2352, S 1740). Filed 5/22/06. *TO MODIFY THE CURRENT OPERATIONS AND CAPITAL APPROPRIATIONS ACT OF 2005 AND TO MAKE OTHER CHANGES IN THE BUDGET OPERATIONS OF THE STATE, AS RECOMMENDED BY THE GOVERNOR.* To be summarized in tomorrow's *Daily Bulletin*.

Intro. by Crawford, Clary, Earle, Michaux.

GS 7A, 14, 58, 66, 74, 90, 95, 105, 108A, 110,
115C, 116, 120, 122C, 130A, 131E, 135, 142,
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PART I. INTRODUCTION AND TITLE OF ACT

The title of the act is the Current Operations and Capital Improvements Appropriations Act of 2005.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Makes the following adjustments in the General Fund operating and capital budget for 2006-07:

<u>State Agency or Division</u>	<u>FY 2006-07 Adjustments</u>
<u>Health and Human Services:</u>	
Central Administration	\$(64,030,678)
Aging	3,000,000
Child Development	30,465,513
Smart Start	
Education Services	828,548
Public Health	20,305,744
Social Services	14,686,546
Medical Assistance	(150,000,000)
Child Health	0
Services for the Blind	0
Mental Health/DD/SAS	89,133,395
Facility Services	0
Vocational Rehabilitation	699,856
Total Health & Human Services	(54,911,076)
<u>Natural and Economic Resources:</u>	
Agriculture & Consumer Services	1,320,839
Commerce	19,246,828
Commerce – State Aid to Non-State Entities	2,000,000
Environment and Natural Resources	11,225,028
Clean Water Management Trust Fund	0
Labor	450,000
Total Natural and Economic Resources	34,242,695
<u>Justice and Public Safety:</u>	
Correction	31,529,391
Crime Control & Public Safety	3,968,741
Judicial	26,158,821
Judicial – Indigent Defense	6,213,600
Justice	4,571,760
Juvenile Justice	3,060,852

Total Justice and Public Safety	75,503,165
<u>General Government:</u>	
Administration	5,691,818
State Auditor	407,564
Cultural Resources	4,252,602
Cultural Resources – Roanoke Island	0
General Assembly	238,346
Governor's Office	100,000
Insurance	597,903
Insurance – Workers' Compensation Fund	0
Lieutenant Governor	2,600
Office of Administrative Hearings	365,000
Revenue 1,360,060	
NC Housing Finance	5,000,000
Secretary of State	838,671
State Board of Elections	143,279
State Budget and Management (OSBM)	409,938
OSBM – Special Appropriations	1,255,000
Office of State Controller	0
State Treasurer	281,274
State Treasurer – Retirement/Benefits	0
Total General Government	20,944,565
<u>Education:</u>	
Public Schools	127,574,985
Community Colleges	39,838,763
University System	123,385,910
Total Education	290,799,658
<u>Debt Service:</u>	
General Debt Service	(50,000,000)
Federal Reimbursement	0
Total Debt Service	(50,000,000)
<u>Reserves & Adjustments:</u>	
Compensation Increase Reserve	594,536,890
Minimum Fair Wage Noncertified Public School Employees	8,582,073
Salary Adjustment Fund	20,000,000
Retirement System COLA	48,000,000
Reserve for Lawsuits	2,000,000
Reserve for Innovative IT Initiatives	3,000,000
Reserve for Disaster Expenses	50,000,000
BEACON Project	41,788,403
Retirement System Payback	30,000,000
Total Reserves & Adjustments	808,206,192
<u>Capital:</u>	
Capital Improvements	329,453,300
Total General Fund Budget Changes	<u>\$1,454,238,499</u>

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Provides the General Fund availability statement for 2006-07 as follows:

<u>Description</u>	FY 2006-07 Recommended (In Millions)
Beginning Availability:	
Unappropriated Balance FY 2005-2006	\$113.4
Overcollections FY 2005-2006	1,072.1
Reversions FY 2005-2006	125.0

Credit to Savings Reserve Account	(324.0)
Credit to Repair and Renovations Reserve Account	<u>(200.0)</u>
Beginning Unreserved Credit Balance	\$771.5
Revenue:	
Tax:	
Income (Individual & Corporate)	10,753.0
Sales and Use	4,973.0
Other Tax	1,699.0
Total Tax	\$17,425.0
Nontax/Transfers	655.0
Total Revenue	<u>\$18,080.0</u>
Total Availability	\$18,850.5

SECTION 2.2. Transfers \$324 million from the beginning credit balance to the Savings Reserve Account in G.S. 143-15.3, effective June 30, 2006. Transfers \$200 million from the credit balance to the Repairs and Renovations Reserve Account in GS 143-15.3A, effective June 30, 2006.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

SECTION 3.1. Sets out the following adjustments to appropriations from the Highway Fund for 2006-07:

Current 2006-07	Operations	—	Highway	Fund	Adjustments
DOT – General Administration					\$2,500,000
Highway Division Administration					
State Match for Federal Aid-Planning and Research					
Construction Program:					
State Secondary System					1,439,500
Small Urban Construction					<u>38,000,000</u>
Total Construction Program					39,439,500
Maintenance Program					
Contract Resurfacing					82,853,280
General Maintenance Reserve					<u>57,481,289</u>
Total Maintenance Program					140,334,569
State Aid to Municipalities					1,439,500
State Aid to Railroads					3,198,750
State Aid for Public Transportation					(14,000,000)
State Aid for Airports					2,000,000
Division of Motor Vehicles					<u>2,168,301</u>
Total Department of Transportation					\$ 177,080,620
Appropriations to Other State Agencies:					
Public Instruction – Driver Education					457,971
CCPS – Highway Patrol					<u>15,017,698</u>
Total – Other State Agencies					15,325,669
Reserves and Transfers:					
Salary Adjustment					1,000,000
Weigh Station Improvements					12,824,782
Reserve for Legislative Increase					19,500,000
Reserve for Retirement Adjustment					2,500,000
Total Reserves and Transfers					35,824,782
Total Highway Fund Appropriation					<u>\$ 228,231,071</u>

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. Sets out the following Highway Fund availability used in developing the budget:

Beginning Credit Balance	\$-
Transfer from General Fund	17,662,725
Estimated Revenue	1,749,477,275
TOTAL HIGHWAY FUND AVAILABILITY	\$ 1,767,140,000

HIGHWAY TRUST FUND

SECTION 4.1. Increases and (decreases) appropriations from the Highway Trust Fund for various purposes as follows:

Highway Trust Fund 2006-07

	<u>Adjustments</u>
Department of Transportation:	
Maximum Allowance for Administration	\$ 3,180,220
Construction Allocation:	
Intrastate System	169,102,879
Urban Loop System	68,378,162
Secondary Roads	16,462,310
State Aid to Municipalities	17,742,836
Transfer to the General Fund	(195,176,407)
Total Highway Trust Fund	<u>\$ 79,690,000</u>

CAP GAS TAX RATE/HOLD HIGHWAY FUND HARMLESS

SECTION 4.2. Amends GS 105-449.80(a) to cap the variable component of the gas tax at 12.4 cents a gallon effective when the act becomes law. Also provides that notwithstanding G.S.105-449.80, the total motor fuel tax rate is capped at 29.9 cents per gallon. Directs that \$17,662,725 be transferred from intrastate transfers to the Highway Fund by April 30, 2007, if the motor fuel excise tax rate would have exceeded the 29.9 cents cap during 2006-07.

REDUCE HIGHWAY TRUST FUND TRANSFER TO GENERAL FUND

SECTION 4.3. Repeals provision in 2005 Appropriations Act providing intent regarding transfers between the General Fund and the Highway Trust Fund. Transfers \$51,599,027 from the Highway Trust Fund to the General Fund for 2006-07.

PART V. BLOCK GRANTS

NATURAL AND ECONOMIC RESOURCES BLOCK GRANTS

SECTION 5.1. Sets out the following appropriations from federal block grant funds for 2006-07:

01. State Administration	\$ 850,000
02. Urgent Needs and Contingency	600,000
03. Scattered Site Housing	11,550,000
04. Economic Development	7,500,000
05. Small Business/Entrepreneurship	1,000,000
06. Community Revitalization	11,000,000
07. State Technical Assistance	375,000
08. Housing Development	1,500,000
09. Infrastructure	3,125,000
TOTAL COMMUNITY DEVELOPMENT	
BLOCK GRANT – 2007 Program Year	\$ 37,500,000

Requires proportional adjustment of every program in the case of a decrease or increase of federal funds. Sets various floors and ceilings on use of Community Development Block Grant funds for various purposes and requires proportional allocation of any increase or decrease in federal funds. Provides that assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity. Authorizes capacity building grants to be made from funds available.

Directs the Department of Commerce (Commerce) to create a small business/entrepreneurship program award up to \$1 million in grants to local governments for low-to-moderate income individuals for small business and entrepreneurship development.

Directs Commerce to with the Joint Legislative Commission on Governmental Operations (Governmental Operations) before reallocating Community Development Block Grant Funds except when the Governor finds that the reallocation is required due to certain emergencies or to the risk of losing federal block grant funds. Sets reporting requirements.

PART VI. GENERAL PROVISIONS

INCREASE MINIMUM WAGE

SECTION 6.1. Amends GS 95-25.3(a) to increase the state minimum wage to \$6.00 an hour, effective January 1, 2007.

GENERAL FUND OPERATING APPROPRIATIONS CAP

SECTION 6.2. Enacts new GS 143-2.1 and 143-2.2 to define a General Fund Appropriations limit as the previous year's General Fund operating appropriations increased by the amount that average total NC personal income for the previous ten years increased, if any, as determined jointly by the Fiscal Research Division and the Office of State Budget and Management (OSBM). Provides that the Governor and the General Assembly are bound by this limit in preparing each year's budget. Exempts from the limit expenses for (1) repayments to retirement funds of moneys intercepted in previous years; (2) compliance with a court order; (3) the Mental Health Trust Fund; (4) implementing the teacher pay plan required in Section 2.2(j) of the 2005 Appropriations Act (SL 2005-276); and (5) disaster and utility assistance.

SECTION 6.3. REQUIRE VOTER APPROVAL FOR DEBT EXCEEDING TWENTY-FIVE MILLION DOLLARS Amends GS 142-83 to limit to \$25 million the amount of nonvoted special indebtedness that the General Assembly may authorize in a fiscal year.

RECEIPT SUPPORTED POSITIONS CONSULTATION REQUIREMENT

SECTION 6.4. Repeals G.S. 143-34.1(a1), which prohibits most state agencies from establishing new receipt-supported positions without first consulting with Governmental Operations.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1. Provides for longevity payments of between 1.5% for 10-14 years of service and 4.5% for 25 or more years of service. Adopts salary schedule for teachers as follows: "A" teachers, \$2,851 per month to \$4,884 per month; NBPTS certified "A" teachers, \$3,464 per month to \$5,470 per month; "M" teachers, \$3,136 per month to \$5,372 per month; NBPTS certified "M" teachers, \$3,810 per month to \$6,017 per month. Provides salary supplement of \$126 per month for certified teachers based on six-year degree level and \$253 for certified teachers based on doctoral degree level. Specifies salary schedules for school psychologists, speech pathologists, school nurses, and instructional support personnel. These funds are to be allocated to individuals according to rules adopted by the State Board of Education (SBE).

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2. Adopts salary schedules for principals (\$4,053 to \$8,063 per month) and assistant principals (\$3,592 to \$5,646 per month) and classifies assistant principals and principals for salary purposes according to number of teachers supervised. Provides salary supplement of \$126 per month for principals and assistant principals based on six-year degree level and \$253 based on doctoral degree level.

CENTRAL OFFICE SALARIES

SECTION 7.3. Adopts salary ranges for school administrators (\$2,932 to \$7,690 per month) and superintendents (\$4,187 to \$10,328 per month) and provides for salary supplement of \$126 per month for six-year degree level and \$253 per month for doctoral degree. Provides that annual salary increase for all permanent full-time personnel paid from Central Office Allotment is 4%. Prohibits the SBE from allowing school districts to transfer State funds from other funding categories for administrator salaries.

NONCERTIFIED PERSONNEL SALARY AND FAIR MINIMUM PAY

SECTION 7.4. Provides for 4% salary increase for all full-time, noncertified school employees. Also establishes a minimum salary for permanent, full-time noncertified employees paid from state equivalent to the minimum salary of state employees subject to the State Personnel Act.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 7.5. Provides for one-time bonus of 1.58% for permanent certified personnel with at least 29 years of experience and employed on July 1, 2006, and paid on teacher salary schedule and 2% for permanent personnel paid at the top of the principal and assistant principal salary schedule.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.6. Requires that SBE use funds appropriated in act to provide incentive funding for schools that met or exceeded projected levels of improvement as follows: schools that achieve higher than expected improvements—\$1,500 for teachers and certified personnel and \$500 for each teacher assistant; schools that meet expected improvements—\$750 for teachers and certified personnel and \$375 for each teacher assistant.

CHILDREN WITH DISABILITIES

SECTION 7.7. Requires that SBE allocate \$2,966.65 per child for a maximum of 172,040 children for 2006-07 school year and that school districts receive funds for lesser of all children identified with disabilities or 12.5% of the 2006-07 allocated average daily membership of district.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.8. Requires that SBE allocate \$961.60 per child to a maximum of 4% of district's 2006-07 allocated average daily membership, capped at 57,419 children.

LEA ASSISTANCE PROGRAM

SECTION 7.9. Directs that assistance provided by DPI to low-performing LEAs and to schools not meeting adequate yearly progress under the No Child Left Behind Act of 2001 must be consolidated into the LEA Assistance Program (LEAAP). Permits transfers of funds from within existing appropriations to the LEAAP, but not for the purpose of raising salaries of existing employees. Requires that SBE develop criteria for LEA Assistance Teams as outlined in act.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.10. Requires that beginning with the 2006-07 fiscal year, funds appropriated for disadvantaged student supplemental funding (DSSF) are to be allotted based on teacher-to-student ratios for the eligible DSSF population. LEAs in counties with wealth greater than 90% of the statewide average receive one teacher position per 20.5 DSSF population; 80% to 90%, one per 20; less than 80%, one per 19.5. LEAs receiving DSSF funds in 2005-06 receive one position per 16 DSSF population, and no less than the amount allotted in 2005-06.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.11. Provides that funds appropriated for the Learn and Earn high school workforce development program will increase the Learn and Earn sites in the state to 34 and provides that funds may be used for enrollment fees and tuition at UNC for courses, laboratory fees, textbooks, and technology and course fees at community colleges. Directs SBE, in consultation with State Board of Community Colleges and UNC Board of Governors, to conduct an annual evaluation of the program.

NEW SCHOOLS PROJECT HIGH SCHOOLS

SECTION 7.12. Provides that funds appropriated to expand the Small Specialty Schools will support the redesign of an additional 21 new schools in 2006-07. Directs the SBE to work closely with the Education Cabinet and the New Schools Project in administering the program.

NC WISE POSITIONS

SECTION 7.13. Permits SBE to use funds appropriated in the budget for NC WISE to create positions and incur expenditures necessary to transfer the maintenance and administration of the NC WISE system from the vendor to the Department of Public Instruction.

ONLINE PROFESSIONAL DEVELOPMENT RESOURCE CENTER

SECTION 7.14. Provides that funds appropriated to the SBE for the Online Professional Development Resource Center Web portal will be placed in a reserve in the Professional Teaching Standards Commission budget until an IT project plan is developed and approved. The funds will be released upon approval of the IT project plan by the State Budget Director and the Chief Information Officer.

21st CENTURY LITERACY COACHES

SECTION 7.15. Appropriations \$4,767,400 for 100 new literacy coaches, to be placed in 100 middle schools or other public schools with an eighth grade class. Sites must be approved by SBE to receive funds and are to include feeder schools to Learn and Earn schools, New Schools Project schools, Disadvantaged Student Supplemental Funding (DSSF) districts, or select schools with the lowest tier of reading scores in the most recent three years on end-of-grade tests. To be selected, schools must (i) contain an eighth grade class, and (ii) ensure that Literacy Coaches will have no administrative responsibilities in the schools in which they are placed.

EDUCATION VALUES ADDED ASSESSMENT SYSTEM (EVAAS) – ALLOW LEAs TO PARTICIPATE

SECTION 7.16. Directs SBE to identify LEAs to receive funding for EVAAS, based on criteria including (i) identified need, (ii) readiness, and (iii) county wealth, as defined in the Low-Wealth Supplemental Funding Formula.

NORTH CAROLINA VIRTUAL SCHOOL

SECTION 7.17. Provides that the North Carolina Virtual Public School (NCVPS) program is to report to the SBE and maintain an office at DPI. Funds are to be used to create eight positions to administer the program. Requires program director to ensure that course quality standards are established and met and that all e-learning opportunities offered by state-funded entities to public school students are consolidated under the program, eliminating course duplication. E-learning course offerings for students residing in rural and low-wealth county LEAs, are to be a priority as courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available.

DISTANCE EDUCATION

SECTION 7.18. Provides that SBE may use monies from the State Public School Fund in 2006-07 to pay for the additional costs associated with an increased number of registration fees for students enrolling in Distance Education courses.

DEPARTMENT OF PUBLIC INSTRUCTION LEGACY SYSTEM MIGRATION AND UPGRADE

SECTION 7.19. Provides that \$2 million in nonrecurring funds are placed in a reserve in the Department of Public Instruction for Legacy System Migration and Update.

SCHOOL CONNECTIVITY

SECTION 7.20. Provides that a nonrecurring appropriation of \$4 million will support the NC Education Network and expand the number of the state's K-12 public schools to use technology as an instructional tool to prepare students for the demands of the 21st century workforce.

CONVERT 100 TEACHING FELLOWS SCHOLARSHIP LOANS FOR PROSPECTIVE MATHEMATICS AND SCIENCE TEACHERS

SECTION 7.21. Amends GS 115C-363.23A, under which scholarship loans are awarded to incoming college freshmen interested in preparing to become teachers, to provide that 100 of the scholarships are to be awarded to rising college juniors. The statute provides for forgiveness of the scholarship loan for a 4-year recipient who teaches in North Carolina for four years within seven years of graduation. This section provides for forgiveness for two-year loans for recipients who teach for three years within that seven-year period.

PUBLIC SCHOOL BUILDING CAPITAL FUND – SMALL COUNTY MINIMUM GUARANTEE

SECTION 7.22. GS 115C-546.2 specifies that a portion of funds from the Public School Building Capital Fund is to be allocated on the basis of average daily membership and a portion is to be allocated by a formula that takes into account the tax rate that the county has imposed upon itself compared with the statewide tax rate average. This section amends GS 115C-546.2(d) to set a minimum amount that a county will receive based on a formula set out in the section.

TRANSFER MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS TO THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.23. Transfers the More at Four program and the Office of School Readiness from the Office of the Governor to the Department of Public Instruction (DPI) effective July 1, 2006. The Office of School Readiness is to provide oversight to More at Four and other related early childhood and prekindergarten education experiences. An Executive Director for the Office of School Readiness is to be appointed by the SBE. Deletes provision in the 2005 Appropriations

Act that directed that \$66,646,653 of the amount appropriated for 2006-07 to the Department of Health and Human Services (DHHS) be used for More at Four. Transfers responsibility for developing plans for moving highly-rated centers and schools into More at Four from DHHS to DPI. Provides that support of existing classrooms for four-year-olds is to be permitted when current funding is eliminated, reduced, or redirected as required to meet other specified federal or state educational mandates. Amends GS 115C-242(1) to make More at Four students and employees eligible to ride school buses.

PROHIBIT USE OF STATE FUNDS FOR LOBBYING EXPENSES

SECTION 7.24. Provides that state funds appropriated for local school administrative units may not be used for the payment of dues to organizations that conduct lobbying or legislative advocacy.

AMEND CIVIL PENALTY AND FORFEITURE FUND AVAILABILITY

SECTION 7.25. Amends section 6.37(a) of the 2005 Appropriations Act, which set out the estimates of collections of fines and forfeitures for 2006-07 to provide funds for appropriation to the school technology fund and the public school fund. This section amends those estimates downward from a total of \$125,500,000 to \$95,500,000 and correspondingly reduces the appropriations. Also amends GS 115C-457.2 (which directs state agencies to pay fines and forfeitures that they collect into the Civil Penalty and Forfeiture Fund, less the actual costs of collection, not to exceed 20%) to direct the Office of State Budget and Management (OSBM) annually to set the percentage that is to determine the cost of collection. Also authorizes the SBE to use up to \$500,000 for the state Public School Fund to train LEA staff and teachers to implement the Senior Project Initiative as a condition of graduation.

PART VIII. COMMUNITY COLLEGES

USE OF FUNDS FOR THE COLLEGES INFORMATION SYSTEM PROJECT

SECTION 8.1. Provides that funds appropriated to the Community Colleges System Office for the College Information System Project do not revert at the end of the 2005-06 fiscal year and may be used to create positions or incur expenditures necessary to transfer the maintenance and administration of the College Information System Project from the vendor to the System Office.

CARRYFORWARD FOR EQUIPMENT

SECTION 8.2. Provides that the Community Colleges System Office may carry forward up to \$10 million of the operating funds that were not reverted in fiscal year 2005-06 to be reallocated to the State Board of Community Colleges' Equipment Reserve Fund.

SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL STAFF

SECTION 8.3. Provides that funds appropriated for salary increases are to be used to increase faculty and professional staff salaries by an average of 4%.

USE OF NEW AND EXPANDING INDUSTRY TRAINING PROGRAM FUNDS FOR CUSTOMIZED INDUSTRY TRAINING

SECTION 8.4. Provides that, notwithstanding any other provision of law, the State Board of Community Colleges may use funds appropriated to it for the New and Expanding Industry Training Program to operate programs under the Customized Industry Training Program.

UNC-NCCCS 2+2 E-LEARNING INITIATIVE FUNDS

SECTION 8.5. Provides that funds appropriated under this act are to be used to fund further development of online courses for 2+2 programs. Directs the University of North Carolina and Community Colleges System Office to report to the Joint Legislative Education Oversight Committee, the OSBM, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative.

NC COMMUNITY COLLEGE SYSTEM MAY USE STATE FUNDS IN LIEU OF FEDERAL FUNDS DUE TO FEDERAL MANDATES

SECTION 8.6. Provides that if federal guidelines governing grant monies change, the Community College System Office is to adjust its budget accordingly. If there is an increase in funding, the office may not propose spending for new programs not a part of the grant award; if there is a decrease, the office may not eliminate funding for a program funded through this appropriation act unless it is related to state administration or is mandated by the granting federal agency. Provides that the Community Colleges System Office may use state literacy funds to

fund administration of the GED office. Federal funds previously so used are to be reallocated to the colleges.

REPORT ON THE NCCCS BIONETWORK

SECTION 8.7. Directs the Community Colleges System Office to report by November 1, 2006, to the Joint Legislative Education Oversight Committee, the OSBM, and the Fiscal Research Division on the implementation of the NCCCS BioNetwork.

DISTRIBUTION OF ENROLLMENT RESERVE FUND

SECTION 8.8. Provides that funds appropriated to the Community College System for the Enrollment Reserve Fund are to be used to assist colleges that experience high enrollment growth in the fall semester, with funds to be distributed to colleges in which enrollment growth in curriculum full-time-equivalent in the fall semester exceeds 5% over the previous year.

COMMUNITY COLLEGE DISTANCE LEARNING SOFTWARE MUST BE COMPATIBLE WITH K-12 AND UNC DISTANCE LEARNING SOFTWARE

SECTION 8.9. Provides that software purchased with funds appropriated in this act to the Community Colleges System Office for the purchase and development of a Course Management System and Learning Object Repository must be common to all community colleges. This software must be compatible with course management and distance learning software adopted by The University of North Carolina and the SBE.

NEW EQUIPMENT FUNDS SHALL BE DIRECTED TOWARDS PROGRAMS TO REDUCE WAITING LISTS

SECTION 8.10. Provides that the \$11 million appropriated in this act to the Community College System for the purchase of new or replacement equipment at the community colleges is to be directed first, to the maximum extent feasible, towards the purchase of new or replacement equipment for those programs with waiting lists, including allied health programs.

STUDY OF NEW AND EXPANDING INDUSTRY TRAINING

SECTION 8.11. Directs the OSBM to conduct a study to analyze and evaluate the New and Expanding Industry Training program of the Community College System. This study is to examine the companies served, the number of times each company has been served, the number of jobs created, the length of time the company has remained in North Carolina after receiving New and Expanding Industry Training funds, and whether the company has maintained employment levels at the same level promised when training was received. The findings of the study are to be reported to the Joint Legislative Education Oversight Committee no later than April 1, 2007.

VIRTUAL LEARNING COMMUNITY CURRICULUM DEVELOPMENT CENTERS

SECTION 8.12. Provides that, of the Virtual Learning Community development centers created in this act, the three curriculum development centers are to focus first on developing courses included in the program of study for teacher licensure and allied health programs.

PART IX. UNIVERSITIES

UNC-NCCCS 2+2 E-LEARNING INITIATIVE

SECTION 9.1. Directs the University of North Carolina and Community Colleges System Office to report to the Joint Legislative Education Oversight Committee, the OSBM, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative.

ENROLLMENT GROWTH FUND/ENCOURAGE PARTNERSHIPS FOR NEW 2 + 2 PROGRAMS

SECTION 9.2. Directs the University of North Carolina General Administration to obtain plans from each constituent institution as to how they will maintain their current enrollment in the teacher education programs and achieve growth. Plans may include using enrollment growth funds for targeted admissions, enhanced student support, and advising, recruiting, increases in faculty in necessary instructional areas that lead to certification, and other methods General Administration believes will achieve those results. General Administration is to report to the OSBM and the Joint Legislative Education Oversight Committee no later than December 30, 2006, on each constituent institution's plan. By March 31, 2007, General Administration is to submit a report on its progress, explaining the distribution of enrollment growth funds by specific initiative.

DESTINY LAB AT THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

SECTION 9.3. Directs the Board of Governors of The University of North Carolina to use \$2 million of the amount appropriated to it for the DESTINY Lab program at the University of North Carolina at Chapel Hill, to purchase an additional mobile DESTINY Lab and for the personnel and nonpersonnel costs needed to provide statewide access to DESTINY's resources and curricula to help meet the current demand.

INITIATIVE TO IMPROVE THE MANAGEMENT AND LEADERSHIP SKILLS OF THE PRINCIPALS IN HIGH NEED SCHOOLS (PRINCIPALS' EXECUTIVE PROGRAM)

SECTION 9.4. Directs the Board of Governors of The University of North Carolina to use \$250,000 of the amount appropriated to it for the Principals' Executive Program to enhance its Instructional Leadership Reform. Directs PEP to provide a customized professional development program and a coaching/mentor component that provides assistance at the school level.

NORTH CAROLINA TEACHER ACADEMY TRAINING OF 21ST CENTURY LITERACY COACHES

SECTION 9.5. Directs the Board of Governors of The University of North Carolina to use \$1.9 million of the amount appropriated to it for the North Carolina Teacher Academy (NCTA), to provide training to literacy coaches to provide in-service professional development to a wide demographic of schools, as determined by the SBE, all containing an eighth grade.

NURSE SCHOLARS PROGRAM EXPANSION

SECTION 9.6. Amends GS 90-171.61 regarding the Nursing Scholars Program, to delete the provisions under which scholarship loans are awarded in different amounts depending on whether the student was in an associate degree program, a bachelors degree program, or a masters degree program, and instead making all scholarship loans worth \$6,500 per year.

GRADUATE NURSE SCHOLARSHIP PROGRAM FOR FACULTY PRODUCTION

SECTION 9.7. Adds new Article 9H to GS Chapter 90 to create the Graduate Nurse Scholarship Program. Under the program, the Nursing Scholars Commission selects recipients for loans of \$15,000 for up to two years for nursing masters degree students and three years for doctorate students in fields that would permit the graduates to become nursing instructors in community colleges or universities. Provides for forgiveness of loans, year for year, for graduates who do in fact teach in a nursing education program at a public educational institution in the state.

INFORMATION TECHNOLOGY

SECTION 9.8. Provides that of the funds appropriated to the UNC Board of Governors for constituent institution level information technology, \$2.4 million is to be distributed to institutions according to policy determined by the Board. The Board is encouraged to develop a policy with consideration for the constituent institutions that are implementing the Banner Information System.

MANAGEMENT FLEXIBILITY TO REORGANIZE BUDGET CODE 16012 UNC BOARD OF GOVERNORS RELATED EDUCATIONAL PROGRAMS

SECTION 9.9. Directs the UNC General Administration to reorganize budget code 16012, UNC Board of Governors Related Educational Programs, so that the budget reflects and segregates each specific program individually.

TRANSFERS OF APPROPRIATION

SECTION 9.10. Amends GS 116-30.2(a) to provide that UNC special responsibility constituent institutions may transfer appropriations between budget codes and that these transfers are to be considered certified even if they result from agreements between special responsibility constituent institutions.

NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY FUNDS

SECTION 9.11. Directs the Board of Governors to allocate \$1.3 million to North Carolina Agricultural and Technical State University for agricultural and research extension programs.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 9.12. Sets an annual average salary increase of 4% for all UNC, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by state funds and whose salaries are exempt from the State Personnel Act (EPA). These funds are to be allocated to individuals according to the rules adopted by the Board of Governors or the Board of Trustees of the North Carolina School of Science and Mathematics, as appropriate, and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section. Sets average salary increase of 8% for all

teaching employees of the North Carolina School of Science and Mathematics, supported by state funds and whose salaries are exempt from the State Personnel Act (EPA).

NORTH CAROLINA IN THE WORLD PROJECT

SECTION 9.13. Directs the NC Center for International Understanding to develop a plan to ensure that public K-12 international education efforts such as teacher and student exchanges and curriculum development are focused on key countries and regions of strategic economic interest to North Carolina. Directs the center to report to the OSBM and the Joint Legislative Education Oversight Committee on the activities and accomplishments of the \$200,000 nonrecurring appropriation for North Carolina in the World Project no later than March 31, 2007

DISTANCE EDUCATION PROFESSIONAL DEVELOPMENT FOR MATH AND SCIENCE

SECTION 9.14. Directs the Board of Governors to work with the Center for School Leadership Development, the SBE, and the constituent institutions of ECU, ECSU, and UNC-W to develop a multicampus distance education professional development initiative focused on support for mathematics and science teachers and to make the initiative results available to school districts throughout the state.

PROSPECTIVE TEACHER SCHOLARSHIP LOAN

SECTION 9.15. Appropriates \$1 million for an additional 400 scholarship loans of \$2,500 each from the Prospective Teacher Scholarship Loan Fund. Priority for the 400 additional scholarship/loans is to be given to students seeking licensure in middle and high school mathematics and science and students participating in a 2+2 program between constituent institutions in UNC and the Community College System.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BLOCK GRANT CHANGES TO FUND LEGISLATIVE SALARY ADJUSTMENTS

SECTION 10.1. Authorizes Department of Health and Human Services (DHHS) to adjust budgeted allocations to Block Grants administered by DHHS to establish funding for adjustments in salary and related benefits for positions funded by the block grant allocations.

COUNTY GRANTS TO IMPROVE TANF WORK PARTICIPATION RATES

SECTION 10.2. Allocates \$12.5 million of the funds budgeted in the TANF block grant for Work First demonstration grants for the county social service offices. These funds are to be allocated during state fiscal years 2006-07, 2007-08, and 2008-09. Also establishes two time-limited positions to manage the grant award process and to document all efforts.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.3. Amends the 2005 Appropriations Act to add an exemption from the provisions of 10A NCAC 71R.0201.(3) for funds allocated from the Social Services Block Grant funds to the North Carolina Housing Coalition.

INCREASE HEALTH CARE ACCESS FOR UNINSURED

SECTION 10.4. Directs Secretary of DHHS to develop a plan to expand health care access for uninsured North Carolinians. Specifies content of study and provides that of the funds appropriated to the Department, \$200,000 for the 2006-07 fiscal year must be used to support the development of the plan. Directs that the proposed plan be completed by January 1, 2007.

CERTAIN AUDIT REQUIREMENTS MODIFIED

SECTION 10.5. Amends GS 143B-139.4.(b) to authorize the Secretary of DHHS to waive audits or require an alternative service from a certified public accountant for organizations that exhibit special circumstances and are not recipients of State funding.

RATE SETTING FOR CHILD CARING INSTITUTIONS

SECTION 10.6. Repeals GS 110-93.1, which provides that DHHS is required to establish standardized rates for child caring institutions.

MEDICAID RESERVE FUND TRANSFER

SECTION 10.7. Provides that \$5,004,504 of the funds transferred to DHHS for Medicaid programs pursuant to GS 143-23.2 for the 2006-07 fiscal year shall be allocated as prescribed for the implementation of the Medicaid Management Information System.

REGULATORY CHANGES TO IMPROVE QUALITY AND SAFETY IN HOME CARE SERVICES, MENTAL HEALTH FACILITIES, ADULT CARE HOMES, AND CERTAIN HOSPITAL FACILITIES

SECTION 10.8. Extends date for submission of progress report on Quality Improvement Consultation Program for Adult Care Homes from April 1, 2006, to January 1, 2007.

LOCAL PARTNERSHIPS AND PRIVACY OF PERSONNEL RECORDS

SECTION 10.9. Amends GS 143B-168.14 to allow for confidentiality of personnel files consistent with the state personnel system.

NORTH CAROLINA PARTNERSHIP FOR CHILDREN AND PRIVACY OF PERSONNEL RECORDS

SECTION 10.10. Amends GS 143B-168.12(b) to allow for confidentiality of personnel files consistent with state personnel system.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.11. Amends the 2005 Appropriations Act to provide that no local matching funds may be required by DHHS as a condition of any locality's receiving its initial allocation of child care funds (unless a local match is required by federal law). Additional funds above \$25,000 that are reallocated by the Department to local purchasing agencies beyond their initial allocation require a 25% local match. Matching requirements do not apply when funds are allocated as a result of a disaster.

CHILD CARE ALLOCATION FORMULA

SECTION 10.12. Amends the 2005 Appropriations Act to update references to fiscal years for allocation of up to \$22 million in federal block grant funds and state funds appropriated for child care services to fiscal years 2005-06 and 2006-07.

PRIVATE WELL WATER TESTING

SECTION 10.13. Amends GS 130A-5 to authorize a \$40 fee for analyzing private well water samples submitted by local health departments.

MEDICAID TRANSFER OF ASSETS

SECTION 10.14. Repeals GS 108A-58 and enacts GS 108A-58.1 to update provisions on ineligibility for Medicaid assistance based on transfer of assets for less than fair market value. Incorporates provisions provided by federal law. Allows waiver of penalty if DHHS determines it would impose an undue hardship. Authorizes adoption of administrative rules for implementation.

REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.15. Creates GS 58-50-46 to require insurers to provide at no cost specified information to DHHS regarding individuals who are covered by the insurer and also receiving medical assistance. Specifies requirements for insurers regarding coordination of coverage, including authorization for provision of services, rights of state recovery, and provision of information.

STUDY OF MEDICAID PROVIDER RATE INCREASES

SECTION 10.16. Directs the Secretary of DHHS to study and develop a proposal for an equitable standard for providing inflationary and other cost-related increases to service providers in the Medicaid program. Allocates \$100,000 to support the study, from funds appropriated to DHHS, Division of Medical Assistance, for 2006-07.

MEDICAID

SECTION 10.17. Amends GS 108A-55.1 to incorporate reference to Medicare Parts A, B, C, and D and require Medicaid recipients to enroll in all Medicare Parts for which they are qualified. Makes other stylistic and conforming changes.

MEDICAID ESTATE RECOVERY TO INCLUDE LIENS ON REAL PROPERTY

SECTION 10.18. Repeals GS 108A-70.5, 108A-70.6, 108A-70.7, 108A-70.8, and 108A-70.9, relating to Medicaid estate recovery.

HEALTH CARE FACILITY LICENSURE FEE UPPER LIMIT

SECTION 10.19. Amends GS 131E-267 to provide that fee for the review of each care facility construction project may not exceed \$25,000.

FACILITY LICENSURE FEES

SECTION 10.20. Amends GS 122C-23(h) to provide that the base fee for facilities with no beds is \$175.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

PLANT CONSERVATION PROGRAM FUNDS

SECTION 11.1. Provides that of funds deposited with the State Treasurer pursuant to GS 146-30 to the credit of the Department of Agriculture and Consumer Services, \$30,000 is to

be transferred to the Department of Agriculture and Consumer Services to be used in the plant conservation program for costs incidental to the acquisition of land.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES CONSERVATION RESERVE ENHANCEMENT PROGRAM

Provides that of the funds appropriated to the Department of Environment and Natural Resources (DENR), Division of Soil and Water Conservation, for the Conservation Reserve Enhancement Program for acquiring conservation easements and leases and for contracts for 2006-07, \$1,723,800 will not revert.

WATER QUALITY FEE CHANGES

Amends GS 143-215.3D(a) to increase the fee for a major individual NPDES permit from \$2,865 to \$3,425 and the fee for a stormwater and wastewater discharge general permit from \$80 to \$120.

ANIMAL WASTE FEE CHANGES

Amends GS 143-215.10G(a) to increase the annual permit fee for an animal waste management system as follows: for a system with a design capacity of 38,500 or more and less than 100,000 pounds steady state live weight, from \$50 to \$100; for a system with a design capacity of 100,000 or more and less than 800,000 pounds steady state live weight, from \$150 to \$300; for a system with a design capacity of 800,000 pounds or more steady state live weight, from \$300 to \$600.

HAZARDOUS WASTE FEE CHANGES

Amends GS 130A-294.1 to increase the following annual fees for generators and transporters of hazardous waste: for a person who generates either one kilogram or more of any acute hazardous waste or 1000 kilograms or more of hazardous waste in any calendar month, from \$1,000 to \$1,250; for a person who generates 100 kilograms or more of hazardous waste in any calendar month but less than 1000 kilograms of hazardous waste, from \$125 to \$150; for a person who transports hazardous waste, from \$600 to \$700; and for a storage, treatment, or disposal facility, from \$1,200 to \$1,400.

PART XIII. DEPARTMENT OF COMMERCE EMPLOYMENT SECURITY FUNDS

Requires that funds from the Employment Security Commission Reserve Fund be available to the Employment Security Commission (ESC) to use as collateral to secure federal funds and to pay the administrative costs associated with the collection of the Reserve Fund surcharge. Appropriates \$6.3 million for 2006-07 from the Reserve Fund for the purposes stated in the section.

ONE NORTH CAROLINA FUND

Of the funds appropriated to the One North Carolina Fund, authorizes the Department of Commerce to use up to \$300,000 to cover its expenses in administering the Fund and other economic development incentive grant programs in 2006-07.

RURAL ECONOMIC DEVELOPMENT CENTER

Requires that the NC Rural Economic Development Center provide up to \$255,000 from the appropriation for economic development projects to the Yadkin-Pee Dee Lakes Project for the Central Park of NC.

PART XIV. DEPARTMENT OF LABOR REPEAL FEE FOR MINE SAFETY EDUCATION/TRAINING PROGRAMS

Repeals GS 74-24.16(d) as title indicates.

PART XV. OFFICE OF ADMINISTRATIVE HEARINGS NC REGISTER CHANGES

Enacts new GS 150B-21.17(c) to permit the Codifier of Rules to authorize and license the private indexing, marketing, sales, reproduction, and distribution of the Register.

PART XVI. OFFICE OF STATE CONTROLLER

NEW PAYROLL DEDUCTION SLOTS

Authorizes a temporary suspension of new payroll deduction slots pending the implementation of the State's Human Resources/Payroll infrastructure.

PROPOSED LEGISLATIVE CHANGES PERTAINING TO CREDIT CARDS

Amends GS 66-58.12 to authorize public agencies to include the cost of electronic payments in convenience fees charged for electronic transactions. Amends GS 147-86.22(b) to delete certain conditions for electronic payment and to require that costs associated with the use of electronic payments be paid by an agency from either receipts-supported or appropriated funds and to require that convenience fees collected under GS 66-58.12 be used only to pay those costs specified. Makes conforming changes to GS 159-32.1 and 159-32.1(b). Also amends GS 14-113.24(b) to prohibit persons that accept credit, charge, or debit cards for payments from printing more than the last four digits (was, last five digits) of the account number.

PART XVII. UTILITIES COMMISSION

REGULATORY FEE FOR UTILITIES COMMISSION

Retains the public utility regulatory fees in GS 62-302 at the current rates of 0.12% of each public utility's jurisdictional revenues and \$200,000 for electric membership corporations, effective July 1, 2006.

PART XVIII. INFORMATION TECHNOLOGY

ESTABLISH INFORMATION TECHNOLOGY INNOVATION FUND

Establishes an Information Technology Innovation Fund in the Office of State Budget and Management (OSBM) to support projects specified in section. Establishes a review board to evaluate agency requests. Requires that the OSBM, in consultation with Information Technology Services, establish the timeline, criteria, and review process by which department requests will be evaluated.

GEOGRAPHICAL INFORMATION SYSTEMS STUDY

Requires that the OSBM conduct a study to identify the utilization of Geographical Information Systems in state agencies. Specifies requirements for study. Requires that study's findings be reported to the Joint Committee on Information Technology by March 1, 2007. Provides that section is inapplicable to the University of North Carolina and to the Judicial Branch.

PART XIX. CRIME CONTROL AND PUBLIC SAFETY

ESTABLISH DISASTER RELIEF RESERVE

Amends GS 166A-6.01(2) criteria for entities that qualify for disaster assistance to require that entity establish that it suffered an uninsurable loss in an amount equal to or exceeding 1% (was, 0.5%) of the annual operating budget. Enacts new GS166A-5(4) to establish a Disaster Relief Reserve as a restricted reserve in the General Fund. Outlines circumstances under which the Governor may access Reserve funds and requires that the Governor report to Governmental Operations on any expenditures from the Disaster Relief Reserve no later than 30 days after making the expenditure.

HOUSING ASSISTANCE FUNDS

Amends Section 5.1(c) of S.L. 2005-1 to require that the Department of Crime Control and Public Safety modify the Crisis Housing Assistance Fund (CHAF) to provide money to persons who do not qualify for CHAF assistance solely because they failed to apply for federal assistance through FEMA or the Small Business Administration's (SBA) Real Property Disaster loan program (was, SBA loan program only).

HOPE MILLS DAM

Requires that of the funds appropriated in this act to the Reserve for Disaster Expenses, \$2,117,139 be allocated to the town of Hope Mills in 2006-07 for additional costs associated with repairing the dam, roadway, and bridge from flooding in 2003.

PART XX. SALARIES AND BENEFITS

Modifies salary and benefits provisions, effective July 1, 2006, as follows.

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

Sets salary of the Governor at \$128,772 and the Council of State at \$113,650.

NONELECTED DEPARTMENT HEADS/SALARY INCREASES

Sets salary of nonelected department heads at \$111,036.

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chair, Alcoholic Beverage Control Commission	\$101,062
State Controller	141,437
Commissioner of Motor Vehicles	101,062
Commissioner of Banks	113,650
Chair, Employment Security Commission	138,487
State Personnel Director	111,036
Chair, Parole Commission	92,282
Members of the Parole Commission	42,598
Chair, Utilities Commission	126,569
Members of the Utilities Commission	113,650
Executive Director, Agency for Public Telecommunications	85,198
Director, Museum of Art	103,556
Executive Director, North Carolina Agricultural Finance Authority	98,370
State Chief Information Officer	141,352

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$128,772
Associate Justice, Supreme Court	125,406
Chief Judge, Court of Appeals	122,271
Judge, Court of Appeals	120,181
Judge, Senior Regular Resident Superior Court	116,916
Judge, Superior Court	113,650
Chief Judge, District Court	103,200
Judge, District Court	99,935
Administrative Officer of the Courts	116,916
Assistant Administrative Officer of the Courts	106,791

Establishes the minimum salary of Assistant District Attorney or Public Defender at \$34,200 and provides that average salaries of those positions will not exceed \$65,447 in each district. The annual salaries of permanent full-time and part-time employees of the Judicial Department whose salaries are not itemized in act are increased by 4%.

CLERK OF SUPERIOR COURT/SALARY INCREASES

Amends GS 7A-101(a) to establish the annual salary of the clerk of the superior court in each county, based upon the population of that county, as follows:

<u>Population</u>	<u>Annual Salary</u>
Less than 100,000	\$76,016
100,000 to 149,999	85,302
150,000 to 249,999	94,590
250,000 and above	103,879.

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

Amends GS 7A-102(c1) to establish salary ranges for assistant clerks and head bookkeepers from \$29,500 to \$50,522 and deputy clerks from \$25,392 to \$39,295.

MAGISTRATES' SALARY INCREASES

Amends GS 7A-171.1(a) to establish salary ranges for full-time magistrate judges from \$29,889 to \$50,957 and a prorated amount for part-time magistrates. Further amends GS 7A-171.1(a1) to establish salary ranges for magistrates credited with less than five years of service as of June 30, 1994.

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

Amends GS 120-37(c) to establish salary of principal clerks at \$96,017.

SERGEANTS-AT-ARMS AND READING CLERKS

Amends GS 120-37(b) to set salary of sergeant-at-arms and reading clerk at \$340 per week.

LEGISLATIVE EMPLOYEES

Provides that the salaries of nonelected employees of the General Assembly will be increased by 4%.

COMMUNITY COLLEGE PERSONNEL/SALARY INCREASES

Directs the Director of the Budget to transfer from the Reserve for Compensation Increases, for 2006-07, funds to the North Carolina Community Colleges System Office necessary to provide an annual salary increase of 4% for all community college employees supported by State funds.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA COMPENSATION

Directs the Director of the Budget to transfer from the Reserve for Compensation Increases, for 2006-07, to the UNC Board of Governors, funds necessary to provide an annual salary increase of 4%, for all employees of the University of North Carolina, and employees other than teachers of the NC School of Science and Mathematics that are supported by state funds and whose salaries are exempt from the State Personnel Act (EPA). Requires that this increase and bonus be made on an aggregated average basis, according to the rules adopted by the UNC Board of Governors or the Board of Trustees of the NC School of Science and Mathematics, and not be used for any purpose other than for salary increases and necessary employer contributions.

Also provides for an average annual salary increase of 4% for all teaching employees of the NC School of Science and Mathematics supported by state funds and whose salaries are exempt from the SPA. Requires that funds be allocated to individuals according to the rules adopted by the Board of Trustees of the NC School of Science and Mathematics and not be used for any purpose other than for salary increases and necessary employer contributions.

MOST STATE-SUPPORTED PERSONNEL/SALARY INCREASES

Increases the salaries of all permanent full-time state employees whose salaries are set in accordance with the SPA, and who are paid from the General Fund or Highway Funds by 4%. Also requires a 4% increase in the compensation of permanent full-time State officials and persons in exempt positions that are recommended by the Governor or the Governor and the Advisory Budget Commission and set by the General Assembly. Increases the salaries of all permanent part-time state employees by 4%. Also authorizes state agencies and departments to increase by 4% on an equitable basis the rate of pay of temporary and permanent hourly state employees, subject to availability of funds in the particular agency or department.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

Provides that salary increases do not apply to persons separated from state service due to resignation, dismissal, reduction in force, death, or retirement prior to July 1, 2006. Requires that permanent full-time employees who work a nine-, ten-, or eleven-month work schedule also receive a 4% increase.

SALARY ADJUSTMENT FUND

Provides that any remaining appropriations in the Reserve for Compensation Increases authorized for employee salary increases not required may be used to supplement the Salary Adjustment Fund. Sets forth authorized uses of the Fund.

STATE AGENCY TEACHERS' COMPENSATION

Requires that funds in the Reserve for Compensation Increases be used for experience step increases for employees of schools operated by the Department of Health and Human Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention, who are paid on the Teacher Salary Schedule or the School-Based Administrator Salary Schedule.

PROVIDE COST-OF-LIVING INCREASES FOR RETIREES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, THE LOCAL RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

Adopts retirement allowance increase of 3.7% effective June 1, 2006.

PART XXI. CAPITAL PROVISIONS

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 21.2. Makes the following General Fund for 2006-07 for capital improvements:

Capital Improvements – General Fund	2006-2007
Department of Administration	
Asheville and Kinston Veterans Affairs Nursing Homes	\$ 8,773,300
Department of Agriculture	
Constable Lab Renovation	537,500
Expansion/Renovation to Rollins Laboratory – planning and design	1,250,000
NCDA & CS Oxford Complex Planning and Design	1,000,000
State Ports Authority	
Port of Wilmington Container Cranes	7,500,000
Commerce	
Wanchese Industrial Park Office Addition	519,500
Correction	
Gatehouse/Security Drives at Morrison Correctional Institution	2,986,200
Department of Crime Control and Public Safety	
Emergency Operations Center and Access Road	8,500,000
Marion Transportation Center – parking	222,700
Department of Cultural Resources	
Horne Creek Visitors Center	378,700
Museum of Art Expansion	40,000,000
Department of Environment and Natural Resources	
Division of Water Quality Laboratory – Modular Office Building	257,100
Forest Resources District 9 Headquarters Complex	2,164,500
North Carolina Zoo- Children's Discovery Center	1,500,000
North Carolina Zoo- Exhibit Storage Building	452,800
New DENR Office Building	50,005,300
Water Resources Development Projects	18,500,000
Chimney Rock Tract, Hickorynut Gorge State Park Expansion	15,000,000
Museum of Natural Sciences – Nature Resource Center	10,000,000
Information Technology Services	
New Backup Data Center – Planning, Design and Construction	24,841,300
Department of Juvenile Justice and Delinquency Prevention	
Safety/Security Fixtures and Furnishings for new	
Youth Development Centers	500,000
University of North Carolina System – Board of Governors	
North Carolina Center for the Advancement of Teaching –	
Ocracoke Island Station Renovation Phase III,	
Furnishing and Equipment	737,000
North Carolina State University Engineering Complex III	61,000,000
University of North Carolina at Wilmington School of Nursing	27,000,000
University of North Carolina at Charlotte –	
Center City Classroom Building	45,827,400
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$ 329,453,300

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 21.3. Requires that DENR allocate the funds appropriated for water resources development projects to the following projects:

	Name of Project	2006-2007
(1)	Wilmington Harbor Deepening *	\$ 5,275,000
(2)	Morehead City Harbor Sand Management	1,200,000
(3)	Manteo (Shallowbag) Bay Channel Maintenance*	-
(4)	Wilmington Harbor Maintenance Dredging*	-
(5)	Morehead City Harbor Maintenance Dredging**	0
(6)	Carolina Beach Renourishment	1,125,000
(7)	Carolina Beach Renourishment (Kure Beach)	681,000
(8)	Brunswick County Beaches Study**	0
(9)	Ocean Isle Beach Renourishment (Brunswick County)	435,000

(10)	Beaufort Harbor Maintenance Dredging	300,000
(11)	B. Everett Jordan Reservoir Water Supply Storage	100,000
(12)	Aquatic Weed Control – Lake Gaston and Statewide	400,000
(13)	Waterway Connecting Pamlico Sound to Beaufort Harbor (Carteret)	400,000
(14)	John H. Kerr Reservoir Operations Evaluation	188,000
(15)	Currituck Sound Water Management Study	386,000
(16)	Surf City / North Topsail Beach Protection Study*	-
(17)	West Onslow Beach (Topsail) Study (Pender County)	85,000
(18)	Hurricane Steam Restoration – Western NC (Phase II)	2,000,000
(19)	Hurricane Isabel Emergency Management Stream Cleanup (Phase III)	850,000
(20)	Bogue Banks Shore Protection Study (Carteret County)*	-
(21)	Neuse River Basin Study	280,000
(22)	Beach and Inlet Management Study	500,000
(23)	Dredging Contingency Fund***	2,295,000
(24)	State – Local Projects	2,000,000

TOTALS \$ 18,500,000

* State share will include additional funds allocated in prior fiscal years

** All funds are from federal and/or local share

*** For dredging shallow draft navigation channels and inlets to offset reduced federal funding

Provides for use of any additional funds that become available for feasibility studies, federal matching funds, and state-local water resources development projects. Unencumbered funds revert at the end of the 2007-08 fiscal year. Requires DENR to report semiannually to Governmental Operations, FRD, and OSBM.

RESEARCH BUILDING ON THE JOINT MILLENNIAL CAMPUS OF NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY AND THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO; NURSING AND ALLIED HEALTH BUILDING AT THE UNIVERSITY OF NORTH CAROLINA AT PEMBROKE; CENTER FOR DESIGN INNOVATION IN THE PIEDMONT-TRIAD RESEARCH PARK

Amends Section 1.1 of SL 2004-179 (authorizing the issuance of special indebtedness) to authorize the use of funds for construction of three projects for which the 2004 law limited the funding to pre-construction work.

THE NORTH CAROLINA CENTER FOR HEALTH AND AGING

Makes the same change as above for the NC Center for Health and Aging, conditioned on the UNC Board of Governors' approval of the revised project.

REPAIR AND RENOVATION RESERVE ALLOCATION

SECTION 21.5. Allocates 46% of the funds in the Reserve for Repairs and Renovations for 2006-07 fiscal year to the UNC Board of Governors. Allocates the remaining 54% to OSBM. Requires each entity to consult with Governmental Operations before allocating the funds.

STATE PUBLIC HEALTH LABORATORY AND OFFICE OF CHIEF MEDICAL EXAMINER – DEPARTMENT OF HEALTH AND HUMAN SERVICES; REGIONAL MEDICAL CENTER AND MENTAL HEALTH CENTER AT CENTRAL PRISON – DEPARTMENT OF CORRECTION

SECTION 21.6. Authorizes the issuance of special indebtedness under Article 9 of GS Chapter 142 in the amounts of \$101 million for a State Laboratory of Public Health and Office of the Chief Medical Examiner and \$144 million for the Department of Correction's Regional Medical Center and Mental Health Center and for infrastructure improvements at Central Prison in Raleigh. Limits the amount of this debt that may be incurred in 2006-07 to \$35 million.

PART XXII: TAX PROVISIONS

ADOPTION TAX CREDIT

SECTION 22.1. Enacts new GS 105-151.30, to allow an individual income tax credit equal to 50% of the corresponding federal adoption tax credit. Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

ELIMINATE SALES TAX ON RESEARCH AND DEVELOPMENT EQUIPMENT/INSTALL
PRIVILEGE TAX OF ONE PERCENT OR EIGHTY DOLLARS

SECTION 22.2. Effective January 1, 2007, amends GS 105-187.51(a) and GS 105-164.13 with respect to research and development equipment purchased by businesses engaged in the physical, engineering, and life sciences, to substitute a 1% excise tax (capped at \$80) for the otherwise applicable state and local sales tax.

SALES TAX CHANGES-CUT STATE SALES TAX BY ONE-QUARTER CENT EFFECTIVE OCTOBER 1, 2006

SECTION 22.3. Reduces the general state sales tax from 4.5% to 4.25% effective July 1, 2006, and then to 4% effective October 1, 2006.

SALES TAX REFUND FOR COMPONENT PARTS

SECTION 22.4. Effective retroactively to purchases made on or after January 1, 2006, amends GS 105-164.14 to allow professional motor sports racing teams to receive an annual refund of state and local sales taxes paid on component parts of motor racing vehicles, not including tires or accessories. Limits the existing motor sports aviation fuel refund to professional racing teams and recodifies its sunset date. Unlike the fuel refund, the component part refund has no sunset.

**PART XXIII. MISCELLANEOUS PROVISIONS
EFFECTIVE DATE**

SECTION 23.5. Except as otherwise provided, effective July 1, 2006.

Intro. by Crawford, Clary, Earle, Michaux.

GS 7A, 14, 58, 66, 74, 90, 95, 105, 108A, 110, 115C, 116, 120, 122C, 130A, 131E, 135, 142, 143, 143B, 147, 150B, 159, 166A

June 29, 2006

H 2351. CONTINUING APPROPRIATIONS (NEW). Filed 5/22/06. House committee substitute makes the following changes to 1st edition. Deletes all provisions of the 1st edition and replaces it with a new act *TO MAKE CONTINUING APPROPRIATIONS AND EXTEND CERTAIN BUDGET PROVISIONS UNTIL JULY 14, 2006.*

BUDGET CONTINUATION.

SECTION 1. Authorizes the Director of the Budget (Governor) to allot funds up to the levels authorized for 2006-07 by the 2005 budget (SL 2005-276, as amended). Prohibits the Governor from allocating funds for purposes in the budget reductions that are not in controversy between the Senate's proposed 2006 budget (S 1741, 3rd edition) and the House of Representative's proposed 2006 budget (S 1741, 6th edition). Also prohibits filling vacant positions subject to reductions in either the Senate budget or the House budget. Appropriates funds to implement these authorizations. Provides that these provisions remain in effect until a 2006 budget is enacted.

NO AUTOMATIC STEP INCREASE FOR STATE AND PUBLIC SCHOOL EMPLOYEES

SECTION 2. Prohibits certain state employees and public school employees from receiving step increases or automatic increases, until authorized by the General Assembly.

FUNDS SHALL NOT REVERT

SECTION 3. Effective June 30, 2006, prevents reversion of any funds that either the Senate budget or the House budget provides will not revert.

STATE CONTROLLER SHALL NOT TRANSFER FUNDS ON JUNE 30

SECTION 4. Prohibits transfer or reserve of funds that would otherwise occur under G.S. 143-15.2, G.S. 143-15.3, and G.S. 143-15.3A, to the Repairs and Renovations Reserve Account and the Savings Reserve Account on June 30, 2006.

DHHS BLOCK GRANTS

Sets out appropriations totaling \$388,000,312 from federal block grant funds for 2006-07 for Temporary Assistance To Needy Families (TANF). Appropriations for the following block grants are identical to those in the Senate budget and the House budget: Social Services Block Grant, Low-Income Energy Block Grant, Child Care and Development Fund Block Grant, Mental Health Services Block Grant, Substance Abuse Prevention and Treatment Block Grant, Maternal and

Child Health Block Grant, Preventive Health Services Block Grant, and Community Services Block Grant.

GENERAL PROVISIONS

Subsections 5.1(b) through (e) are the same as in the Senate budget and the House budget.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

Subsections 5.1(f) through (o) are the same as in the House budget and subsection 5.1(p) is identical to the Senate budget's subsection 5.1(n).

SOCIAL SERVICES BLOCK GRANT

Substantively identical to the Senate budget and the House budget.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

Substantively identical to the Senate budget and the House budget.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

Substantively identical to the Senate budget and the House budget.

MENTAL HEALTH BLOCK GRANT

Substantively identical to the Senate budget and the House budget.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Substantively identical to the Senate budget and the House budget.

NER BLOCK GRANTS

Substantively identical to the House budget.

EXPAND LEA ACCESS TO EDUCATION VALUE ADDED ASSESSMENT SYSTEM (EVAAS)

Identical to Section 7.14 of the Senate budget and the House budget.

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT

Identical to Section 8.3 of the Senate budget and the House budget.

CARRYFORWARD FOR EQUIPMENT

Identical to Section 8.4 of the Senate budget and the House budget.

ADVANCED VEHICLE RESEARCH CENTER REPORTING REQUIREMENTS/FUNDS SHALL NOT REVERT

Provides that funds appropriated to the Advanced Vehicle Research Center Reserve for 2005-06 do not revert on June 30, 2006.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

Identical to Section 12.6 of the Senate budget and the House budget.

COLLECTION OF WORTHLESS CHECK FUNDS

Identical to Section 14.1 of the Senate budget and the House budget.

PAYMENT OF USUB PENALTIES TO CIVIL PENALTY AND FORFEITURE FUND

Similar to Section 19.4 of the Senate budget and the House budget except requires the Department of Revenue to reduce succeeding distributions to law enforcement agencies to offset amounts improperly distributed and to deposit the funds collected into a reserve account that will revert at the end of the fiscal year.

ONLINE DEALER REGISTRATION FUNDS

Identical to Section 21.2 of the Senate budget and the House budget.

EFFECTIVE DATE

Block grant appropriations are effective July 1, 2006; the remainder of the act is effective June 30, 2006, and expires July 14, 2006.

June 30, 2006

H 2351. CONTINUING APPROPRIATIONS. Filed 5/22/06. Senate amendment makes the following change to 2nd edition. Changes expiration date from July 14, 2006, to July 7, 2006.

July 5, 2006

SL 2006-52 (H 2351). CONTINUING APPROPRIATIONS. AN ACT TO MAKE CONTINUING APPROPRIATIONS AND EXTEND CERTAIN BUDGET PROVISIONS UNTIL JULY 7, 2006, AT 11:30 P.M. Summarized in *Daily Bulletin* 6/29/06 and 6/30/06. Enacted June

30, 2006. Sections 5.1 and 5.2 are effective July 1, 2006. The remainder of this act is effective June 30, 2006.