

April 12, 2007

H 1473. 2007 APPROPRIATION ACT. Filed 4/12/07. *MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.*

As title indicates. The amounts of the appropriations are not specified. Effective July 1, 2007.

Intro. by Michaux, Crawford, Yongue.

APPROP

May 8, 2007

H 1473. 2007 APPROPRIATIONS ACT (NEW). Filed 4/12/07. House committee substitute makes the following changes to 1st edition. Replaces blank bill with *AN ACT TO MAKE EXPANSION AND BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES; TO EXTEND THE STATE SALES TAX RATE AT 4.25% UNTIL JULY 1, 2009; TO EXTEND THE UPPER INCOME TAX RATE AT 8% THROUGH 2009; TO UPDATE THE INTERNAL REVENUE CODE REFERENCE; TO PROVIDE INDIVIDUAL AND BUSINESS TAX RELIEF THROUGH A REFUNDABLE EARNED INCOME TAX CREDIT, A MEANS-TESTED LONG-TERM CARE INSURANCE TAX CREDIT, AN ADOPTION TAX CREDIT, A CONVERSION OF THE SALES TAX ON SOFTWARE PUBLISHERS' MACHINERY AND EQUIPMENT TO A PRIVILEGE TAX AT THE RATE OF 1% WITH AN \$80 CAP, TO RAISE THE EXEMPTION AMOUNT FOR SCHOOL INSTRUCTIONAL MATERIALS DURING THE SALES TAX HOLIDAY, AN INCREASED TAX CREDIT FOR QUALIFIED R&D EXPENSES, AN ENHANCEMENT OF THE TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL FACILITIES, AN EXPANSION OF THE SALES AND USE TAX REFUND FOR AIRCRAFT MANUFACTURING TO INCLUDE AIRCRAFT PARTS, AN ENHANCEMENT OF THE SALES TAX HOLIDAY, AND AN ADJUSTMENT TO THE TAX RATE ON PROPERTY COVERAGE INSURANCE CONTRACTS; TO SET THE INSURANCE REGULATORY CHARGE, TO SET THE PUBLIC UTILITY REGULATORY FEE, TO INCREASE CERTAIN FEES TO SUPPORT RECEIPT-SUPPORTED SERVICES, TO PROVIDE FOR THE FINANCING OF VARIOUS HIGHER EDUCATION AND STATE FACILITIES; AND FOR OTHER PURPOSES.* Revised bill provides as follows:

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Makes the following appropriations from the General Fund for the biennium ending June 30, 2009:

Current Operations – General Fund	2007-2008	2008-2009
EDUCATION		
Community Colleges System Office	\$ 926,981,160	\$ 895,293,003
Department of Public Instruction	7,617,708,906	7,647,217,360
University of North Carolina – Board of Governors	42,489,469	42,647,024
Appalachian State University	121,088,901	122,546,135
East Carolina University		
Academic Affairs	199,045,069	205,525,138
Health Affairs	48,700,539	48,649,036
Elizabeth City State University	31,383,354	32,120,970
Fayetteville State University	52,707,308	53,547,957
North Carolina Agricultural and		
Technical University	89,645,552	90,016,889
North Carolina Central University	75,885,006	77,267,483
North Carolina School of the Arts	24,391,420	23,729,158
North Carolina State University		
Academic Affairs	345,923,308	354,659,304
Agricultural Extension	42,241,968	42,126,187
Agricultural Research	53,406,637	52,144,009
University of North Carolina at Asheville	33,294,273	33,724,733

University of North Carolina at Chapel Hill		
Academic Affairs	264,945,034	270,689,011
Health Affairs	188,883,060	194,407,363
Area Health Education Centers	47,818,875	47,818,875
University of North Carolina at Charlotte	160,339,554	165,594,896
University of North Carolina at Greensboro	144,430,129	148,224,622
University of North Carolina at Pembroke	52,719,972	54,338,118
University of North Carolina at Wilmington	93,986,841	96,392,956
Western Carolina University	83,713,910	84,907,386
Winston-Salem State University	65,806,656	68,862,020
General Administration		
University Institutional Programs	86,537,408	78,125,794
Related Educational Programs	149,629,645	149,933,562
North Carolina School of Science and Mathematics	16,859,174	17,065,422
UNC Hospitals at Chapel Hill	45,673,970	45,673,970
Total University of North Carolina – Board of Governors	\$ 2,561,547,032	\$ 2,600,738,018

HEALTH AND HUMAN SERVICES

Department of Health and Human Services

Office of the Secretary	\$ 70,590,972	\$ 60,058,183
Division of Aging	35,907,589	35,909,179
Division of Blind Services/Deaf/HH	11,390,837	11,434,643
Division of Child Development	306,853,499	311,284,207
Division of Education Services	38,852,598	38,855,457
Division of Facility Services	20,145,706	20,061,228
Division of Medical Assistance	2,848,139,818	3,127,704,806
Division of Mental Health	721,162,178	730,053,807
NC Health Choice	59,391,155	59,391,155
Division of Public Health	198,552,872	186,746,071
Division of Social Services	214,058,953	215,708,788
Division of Vocational Rehabilitation	44,216,797	45,518,365
Total Health and Human Services	\$ 4,569,262,974	\$ 4,842,725,889

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	\$ 69,782,939	\$ 60,997,179
Department of Commerce		
Commerce	60,363,944	40,289,341
Commerce State-Aid	36,350,235	24,200,235
NC Biotechnology Center	12,354,692	12,354,692
Rural Economic Development Center	43,190,022	24,190,022
Department of Environment and Natural Resources	198,450,831	187,713,956
DENR Clean Water Management Trust Fund	100,000,000	100,000,000
Department of Labor	16,494,758	16,494,951

JUSTICE AND PUBLIC SAFETY

Department of Correction	\$ 1,213,791,383	\$ 1,235,605,235
Department of Crime Control and Public Safety	51,162,444	41,200,144

Judicial Department	414,383,094	416,627,599
Judicial Department – Indigent Defense	107,316,301	111,437,472
Department of Justice	95,361,752	91,050,997
Department of Juvenile Justice and Delinquency Prevention	158,981,093	165,273,788

GENERAL GOVERNMENT

Department of Administration	\$ 66,872,032	\$ 67,390,336
Office of Administrative Hearings	3,691,458	3,521,735
Department of State Auditor	12,903,026	12,916,479
Office of State Controller	20,539,148	20,562,655
Department of Cultural Resources		
Cultural Resources	73,433,844	69,434,486
Roanoke Island Commission	2,020,023	2,020,023
State Board of Elections	6,385,722	5,969,618
General Assembly	54,738,665	55,940,786
Office of the Governor		
Office of the Governor	6,236,304	6,274,572
Office of State Budget and Management	5,757,493	5,764,198
OSBM – Reserve for Special Appropriations	5,938,446	4,938,446
Housing Finance Agency	18,608,417	9,608,417
Department of Insurance		
Insurance	30,922,133	30,936,704
Insurance – Volunteer Safety		
Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	914,122	915,109
Department of Revenue	84,851,963	84,944,343
Department of Secretary of State	11,476,990	10,743,041
Department of State Treasurer		
State Treasurer	9,285,010	9,282,070
State Treasurer – Retirement for Fire and Rescue Squad Workers	9,458,957	9,458,957

TRANSPORTATION

Department of Transportation	\$ 0	\$ 0
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RESERVES, ADJUSTMENTS AND DEBT SERVICE

Reserve for Compensation Increases	\$ 464,932,019	\$ 398,610,500
Salary Adjustment Fund: 2007-2009 Biennium	23,688,000	23,688,000
Reserve for Teachers' and State Employees'		
Retirement Contribution	29,600,000	29,600,000
Reserve for Retirement System Payback	45,000,000	0
Reserve for State Health Plan	133,978,000	178,637,000
Contingency and Emergency Fund	5,000,000	5,000,000
Information Technology Fund	25,140,000	2,840,000
Reserve for Job Development		
Investment Grants (JDIG)	12,400,000	12,400,000
Integrated Tax Administration System Replacement	10,000,000	0
Energy Efficiency Reserve	10,000,000	0

Reserve for Pending Legislation	2,233,213	1,320,324
Distinguished Professors Endowment Fund	6,000,000	0
One-time Fiscal Relief for Medicaid County Share	60,000,000	0
Debt Service		
General Debt Service	619,793,004	701,454,348
Federal Reimbursement	1,616,380	1,616,380

**TOTAL CURRENT OPERATIONS –
GENERAL FUND**

\$ 20,131,397,929 \$ 20,283,698,408

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2(a). Provides the General Fund availability for 2007-2009 as follows:

	FY 2007-2008	FY 2008-2009
Unappropriated Balance Remaining from Previous Year	\$ 0	\$ 102,945,602
Projected Reversions FY 2006-2007	125,000,000	0
Projected Overcollections FY 2006-2007	1,135,200,000	0
Less Earmarkings of Year End Fund Balance		
Savings Reserve Account	(315,050,000)	0
Repairs and Renovations Reserve Account	(145,000,000)	0
Beginning Unreserved Fund Balance	\$ 800,150,000	\$ 102,945,602
Revenues Based on Existing Tax Structure	\$ 18,532,400,000	\$ 19,551,000,000
Nontax Revenues		
Investment Income	201,600,000	211,100,000
Judicial Fees	173,000,000	177,100,000
Disproportionate Share	100,000,000	100,000,000
Insurance	55,500,000	57,900,000
Other Nontax Revenues	140,400,000	154,300,000
Tobacco Trust Fund Transfer	10,000,000	0
Highway Trust Fund/Use Tax		
Reimbursement Transfer	172,500,000	172,500,000
Highway Fund Transfer	18,190,000	17,610,000
Subtotal Nontax Revenues	\$ 871,190,000	\$ 890,510,000
Total General Fund Availability	\$ 20,203,740,000	\$ 20,544,455,602
Adjustments to Availability: 2007 Session		
Extend 4.25% Sales Tax Rate for 2 Years	258,400,000	285,900,000
Extend 8.25% Upper Income Tax		
Bracket for 2 Years	40,800,000	93,700,000
IRC Conformity	(56,900,000)	(49,100,000)
Health & Human Services/Facility Services Fees	1,705,501	1,642,407
Secretary of State Corporate Annual Report Fees	563,016	563,016
Earned Income Tax Credit	0	(68,900,000)
Long-Term Care Insurance Tax Credit	(7,000,000)	(7,200,000)
Adoption Tax Credit	(3,000,000)	(3,000,000)
Enhance 529 Plan Deduction (House Bill 1016)	(200,000)	(200,000)
Privilege Tax on Software Publishers	(3,700,000)	(4,000,000)
Research & Development Credit Enhancement	(400,000)	(800,000)

Modify Tax on Property Coverage Contracts	(1,500,000)	(3,100,000)
Reserve for Manufacturers' and Farmers' Energy Tax Provisions	(14,500,000)	(30,100,000)
Enhanced Credit for Constructing Renewable Fuels Facilities	0	(2,250,000)
Reserve for Military Tax Relief	(4,000,000)	(4,000,000)
Reserve for Work Opportunity Tax Credit	(6,000,000)	(6,000,000)
Sales Tax Refund for Aircraft Part Mfgs.	(800,000)	(800,000)
Amend Sales Tax Holiday	(600,000)	(600,000)
Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
Adjust Transfer from Treasurer's Office	66,638	54,638
Transfer from Closed Capital Account	3,506,143	
Subtotal Adjustments to Availability: 2007 Session	\$ 206,521,572	\$ 201,866,335
Revised General Fund Availability	\$ 20,410,261,572	\$ 20,746,321,937
Less: General Fund Appropriations	(20,307,915,970)	(20,359,306,633)
Unappropriated Balance Remaining	\$ 102,345,602	\$ 387,015,304

REPAIRS AND RENOVATIONS RESERVE ACCOUNT

SECTION 2.2.(b), (c) Effective June 30, 2007, directs the State Controller to transfer \$154 million from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2007. Appropriates the transferred funds for 2007-08 for use in accordance with G.S. 143C-4-3.

TRANSFER FROM HIGHWAY TRUST FUND TO GENERAL FUND

SECTION 2.2.(d),(e) Provides that the amount to be transferred under GS 105-187.9(b)(1) is \$170 million for 2007-08 and \$170 million for 2008-09 and the amount to be transferred under GS 105-187.9(b)(2) is \$2.5 million for 2007-08 and \$2.5 million for 2008-09

CLEAN WATER MANAGEMENT TRUST FUND

SECTION 2.2.(f) Clarifies that the appropriation in the act of \$100 million to the Clean Water Management Trust Fund is pursuant to, not in addition to, GS 113A-253.1.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Makes the following appropriations from the Highway Fund for the maintenance and operation of the Department of Transportation, for the biennium ending June 30, 2009

Current Operations – Highway Fund	2007-2008	2008-2009
Department of Transportation		
Administration	\$ 74,037,661	\$ 93,204,187
Division of Highways		
Administration	32,651,442	32,703,136
Construction	175,895,465	140,173,949
Maintenance	905,658,411	900,648,052
Planning and Research	4,700,000	4,700,000
OSHA Program	425,000	425,000
Ferry Operations	31,313,921	27,763,921
State Aid		
Municipalities	93,046,035	93,073,949
Public Transportation	73,466,447	96,866,447
Airports	21,860,122	19,730,033
Railroads	21,951,153	17,101,153
Governor's Highway Safety	334,314	335,449

Division of Motor Vehicles	103,676,924	119,130,944
Other State Agencies	262,132,152	259,796,180
Reserves and Transfers	29,290,953	25,927,600
TOTAL	\$1,830,440,000	\$1,831,580,000

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability is as follows:

Highway Fund Availability Statement	2007-2008	2008-2009
Beginning Credit Balance	\$ 30,000,000	-
Estimated Revenue	1,800,440,000	1,831,580,000
Total Highway Fund Availability	\$ 1,830,440,000	\$ 1,831,580,000

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Makes the following appropriations from the Highway Trust Fund for the biennium ending June 30, 2009:

Current Operations – Highway Trust Fund	2007-2008	2008-2009
Intrastate System	\$ 540,326,825	\$ 550,107,613
Urban Loops	218,485,665	222,440,608
Aid to Municipalities	56,692,887	57,719,120
Secondary Roads	94,808,677	96,786,225
Program Administration	42,722,640	43,386,880
Transfer to General Fund	172,543,306	172,619,554

GRAND TOTAL CURRENT OPERATIONS

AND EXPANSION	\$ 1,125,580,000	\$ 1,143,060,000
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HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability is as follows:

Total Highway Trust Fund Availability	\$ 1,125,580,000	\$ 1,143,060,000
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PART V. OTHER AVAILABILITY

CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND APPROPRIATION

SECTION 5.1. Provides the availability for the Civil Penalty and Forfeiture Fund as follows:

	FY 2007-2008	FY 2008-2009
Department of Revenue	\$63,000,000	\$63,000,000
Department of Transportation	\$15,000,000	\$15,000,000
Employment Security Commission	\$3,000,000	\$3,000,000
Department of Insurance	\$1,000,000	\$1,000,000
University of North Carolina	\$3,500,000	\$3,500,000
Other Agencies	\$10,000,000	\$10,000,000
Total Funds Available	\$95,500,000	\$95,500,000

Makes the following appropriations from the Civil Penalty and Forfeiture Fund for the 2007-09 fiscal biennium:

	FY 2007-2008	FY 2008-2009
School Technology Fund	\$18,000,000	\$18,000,000
State Public School Fund	\$77,500,000	\$77,500,000
Total Appropriation	\$95,500,000	\$95,500,000

EDUCATION LOTTERY

SECTION 5.2. Pursuant to GS 18C-164, transfers \$350 million from the State Lottery Fund for the 2007-08 fiscal year and appropriates the funds as follows:

Class Size Reduction	\$	105,000,000
Prekindergarten Program		70,000,000
Public School Building Capital Fund		140,000,000
Scholarships for Needy Students		<u>35,000,000</u>
Total Appropriation	\$	350,000,000

Provides that notwithstanding GS 18C-164(f), if the actual net revenues exceed the amounts appropriated, the excess remains in the Education Lottery Fund, and then may be transferred in the discretion of the Governor to the four categories listed above. Effective June 30, 2007.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3. Provides the following availability from the Information Technology Fund established in GS 147-33.72H:

	FY 2007-2008	FY 2008-2009
Receipts from Information		
Technology Enterprise Fee	\$9,800,000	\$9,800,000
Interest Income	\$100,000	\$100,000
IT Fund Balance June 30, 2007	\$600,000	-
Appropriation from General Fund	\$4,140,000	\$4,140,000
Total Funds Available	\$14,640,000	\$14,040,000

Appropriates funds from the Information Technology Fund for the 2007-09 fiscal biennium as set forth in the House of Representatives Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (Committee Report).

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES AND RECEIPTS

SECTION 6.1. Appropriates and authorizes expenditures of cash balances, federal funds, departmental receipts, grants, and gifts from various General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes for the 2007-09 fiscal biennium.

Provides that receipts collected in a fiscal year in excess of the amounts authorized must remain unexpended and unencumbered until appropriated by the General Assembly in a subsequent fiscal year, with the exception of overrealized receipts, the expenditure of which is authorized by the State Budget Act. Requires OSBM to report on overrealized receipts approved for expenditure by the Director of the Budget, within 30 days after the end of each quarter.

Appropriates from the Reserve for Reimbursements to Local Governments and Shared Tax Revenues an amount equal to the amount of the distributions required by law to be made from that reserve.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. Provides that funds appropriated to reserves may be spent only for the purposes for which the reserves were established.

REVISE FREQUENCY OF FEE REPORT

SECTION 6.3. Amends GS 143C-9-4 to change the frequency of the Office of State Budget and Management (OSBM) fee report from annual to biennial.

BUDGET REALIGNMENT

SECTION 6.4. Notwithstanding GS 143C-6-4(b), authorizes OSBM, in consultation with the State Controller and the Fiscal Research Division (FRD) of the Legislative Services Office, to make transfers among purposes or programs within a department for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes or programs as defined in GS 143C-1-1(d)(23). Requires OSBM to first report to the Joint Legislative Commission on Governmental Operations (Governmental Operations) and FRD.

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

SECTION 6.5. Provides that the consultation requirement of GS 12-3.1 does not apply to agency fee changes provided in the act or in the Committee Report.

CONVERSION OF CONTRACTED POSITIONS

SECTION 6.6. Prohibits executive branch agencies under GS Chapter 143A or 143B from establishing permanent positions with funds appropriated for another purpose. Creates an exception for situations in which the Governor determines that funds appropriated for personal services contracts could be more efficiently used for the same purposes if the contracts were converted to permanent positions, but requires OSBM and the Office of State Personnel (OSP) to first consult with and provide a detailed report to Governmental Operations. Also requires OSBM and OSP to report annually on conversions to the appropriations committees of the House of Representatives and the Senate and to FRD.

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS

SECTION 6.7. Requires OSBM, in consultation with the State Controller and OSP, to conduct follow-up analyses to the Human Resources/Payroll Function Mapping Analysis that was completed in fiscal year 2007 by the BEACON staff and OSBM by January 1 of each year. Also requires OSBM, in consultation with the State Controller, to conduct a staffing analysis of the business functions of state government by April 30, 2008. Specifies that follow-up analyses should be conducted annually by January 1. Requires reports to various legislative officials and entities by April 30, 2008, January 1, 2009, and annually thereafter. Before making any staffing changes that result from the staffing business function analyses, requires OSBM, in consultation with the State Controller and OSP, to report to various legislative officials and entities.

BEACON DATA INTEGRATION

SECTION 6.8. Requires the State Controller, in cooperation with the State Chief Information Officer (SCIO), to develop a plan for data integration among state agencies and programs, under the governance of the BEACON Project Steering Committee. Specifies the components to be included in the plan. Requires that \$1 million from the North Carolina Information Technology Fund be used in 2007-08 for BEACON data integration. Requires reports to various legislative officials and entities, one by January 31, 2008, and another by the date the 2008 session of the General Assembly convenes. Specifies that the data integration must not place any additional requirements on the University of North Carolina (UNC) or the North Carolina Community College System.

TWENTY PERCENT COLLECTION ASSISTANCE FEE

SECTION 6.9. Amends GS 105-243.1(e) to increase from \$350,000 to \$500,000 the amount of the tax collection assistance fee proceeds that the Department of Revenue may spend annually on postage for collecting overdue tax debts and to authorize the use of up to \$40 million of the fee proceeds for replacement of the department's integrated tax administration system and related collections initiatives.

ENERGY EFFICIENCY RESERVE

SECTION 6.10. Provides that \$10 million of appropriated funds will be used to establish the Energy Efficiency Reserve, which will be administered by the State Energy Office in consultation with the State Property Office and used to fund projects designed to make state facilities more energy efficient. Specifies the types of projects eligible for funding. Provides that the funds appropriated to the reserve for 2007-08 do not revert. Requires the State Energy Office to report to legislative appropriations committees by May 1, 2007.

OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW

SECTION 6.11. Notwithstanding GS 147-33.88, requires the Office of Information Technology Services (ITS) to develop an annual budget for review and approval by OSBM and inclusion in the Governor's budget recommendations. Requires OSBM to ensure that state agencies have an opportunity to adjust their budgets based on any rate changes proposed by ITS.

OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF STATE IT BUDGET SUBMISSIONS

SECTION 6.12. Requires the SCIO to review all information technology project budget requests from the various state entities (other than UNC and the judicial branch) before the entities formally submit the requests to the Governor. Specifies the elements of the SCIO's review. Requires the SCIO to submit the detailed analysis of each information technology request

to OSBM and authorizes OSBM to require state entities to coordinate information technology budget requests and projects to increase efficiency and eliminate duplication. Requires OSBM to report in detail by February 1, 2008, to the General Assembly on its efforts and outcomes.

GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY

SECTION 6.13. Requires OSBM, in consultation with the Center for Geographic Information and Analysis (CGIA), the SCIO, and the chair of the Geographic Information Coordinating Council (GICC), to study the development and use of Geographical Information Systems (GIS) by NC state agencies other than UNC and the judicial branch. Specifies the elements of the study. Requires OSBM to report to the General Assembly by January 15, 2008, its recommendations on the governance, organization, and staffing of GIS across state agencies and on a cost-effective state investment strategy for GIS.

E-COMMERCE LONG-RANGE STRATEGY REPORT

SECTION 6.14. Requires the State Controller to evaluate the potential of using electronic commerce in state government for disbursement and collection of funds and to report to the 2008 session of the General Assembly. Specifies the elements of the report. The final report is due by April 30, 2008.

UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR ENDOWMENT TRUST FUND PROFESSORSHIPS

SECTION 6.15. Establishes the UNC Distinguished Professor Challenge-Grant Initiative as a reserve fund to be administered by the UNC Board of Governors. Funds must be used to provide state matching funds for a private challenge-grant initiative and be allocated in a manner consistent with GS 116-41.15 (Distinguished Professors Endowment Trust Fund). Requires endowment of one distinguished professorship at each of the 16 UNC constituent institutions in 2007-08 in the fields of teacher education, engineering, nursing, or the traditional arts and sciences. Specifies that funds are allocated in the Committee Report to address the backlog of professorships under the Distinguished Professors Endowment Trust Fund.

ONE-TIME FISCAL RELIEF FOR MEDICAID COUNTY SHARE

SECTION 6.16. Directs that up to \$60 million of the funds appropriated to the Department of Health and Human Services, Division of Medical Assistance, must be allocated to provide one-time assistance for the county share of the nonfederal share of Medicaid as follows: (1) \$30 million must be allocated to all 100 counties for one-time assistance in proportion to their 2006-07 Medicaid expenditures; and (2) \$30 million must be allocated for targeted assistance for those counties whose Medicaid population is 25% or more of the county's total population in 2006. Provides the method for the Division of Medical Assistance to distribute the one-time assistance.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1 Adopts a 32-step salary schedule (each step corresponds to one year of teaching experience) for teachers as follows: "A" teachers, \$2,975 to \$5,208 per month; National Board for Professional Teaching Standards (NBPTS) certified "A" teachers, \$3,603 to \$5,833 per month; "M" teachers, \$3,273 to \$5,729 per month; and NBPTS certified "M" teachers, \$3,964 to \$6,416 per month. Provides for annual lump sum longevity payments for teachers at the following rates based on percentage of base salary: 1.5% for 10 to 14 years; 2.25% for 15 to 19 years; 3.25% for 20 to 24 years; and 4.5% for 25 or more years of state service. In addition to the compensation provided for certified public school personnel classified as "M" teachers, provides a salary supplement in the following amounts: \$126 monthly to certified public school teachers at the six-year degree level and \$253 monthly to those at the doctoral degree level. Provides that teachers paid on Step Zero of the salary schedule for the 2007-08 school year are to receive a one-time, lump sum sign-on bonus of \$250 payable at the end of the school year. Specifies salary schedules for school psychologists, speech pathologists, and school nurses. (For purposes of this section, the term "teacher" includes instructional support personnel.)

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2. Adopts salary schedules for principals (\$4,190 to \$8,268 per month) and assistant principals (\$3,730 to \$5,789 per month). Provides for a salary supplement for principals and assistant principals of \$126 per month at the six-year degree level and \$253 per month at the

doctoral degree level. Classifies assistant principals and principals (except for principals of alternative and cooperative innovative high schools) for salary purposes according to the number of state-funded teachers and assistant principals supervised. Provides that principals and assistant principals continue to receive state-funded percentage increases earned in school years from 1997-98 through 1999-2000 for improvement in student performance or maintaining a safe and orderly school. Directs that longevity pay for principals and assistant principals is to be as provided for state employees under the State Personnel Act. Includes additional provisions governing salary schedule placement related to school reassignment and transfers, changes in job classification, internship in a school administration program, and provisional status.

CENTRAL OFFICE SALARIES

SECTION 7.3. Adopts a salary schedule for assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers (\$3,170 to \$7,996 per month) and school superintendents (\$4,527 to \$10,739 per month). Provides for a monthly salary supplement of \$126 per month for six-year degree level and \$253 per month for doctoral degree. Provides an annual salary increase of 2.5% for all permanent full-time personnel paid from the Central Office Allotment beginning July 1, 2007. Prohibits the State Board of Education (SBE) from allowing school districts to transfer state funds from other funding categories for public school central office administrators.

NONCERTIFIED PERSONNEL SALARIES

SECTION 7.4. Provides for a 2.5% salary increase for permanent, full-time, noncertified public school employees whose salaries are supported from the General Fund. Directs local boards of education to increase pay rates for permanent, full-time noncertified employees employed for all or part of fiscal year 2006-07 who continue their employment for 2007-08 with an annual salary increase of 2.5%. Provides that the pay increase is pro rata based on the number of hours worked for part-time employees. Provides that the SBE may adopt salary ranges for noncertified personnel to support increases of 2.5% for 2007-08.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 7.5. Provides for a one-time bonus equivalent to 2% for any permanent personnel (1) employed on July 1, 2007, and (2) paid at the top of the principal and assistant principal salary schedule. Excludes from eligibility for the one-time bonus personnel defined as "retired teacher" under GS 115C-325(a)(5a).

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.6. Provides that counties in which county wealth, as a percentage of state average wealth, is less than 100% are eligible to receive supplemental funding. Specifies acceptable purposes for which the funds may be used. Encourages local boards of education (LBE) to use at least 25% of funds to improve the academic performance of students scoring below Level III on the end-of-grade tests and the grades 4 and 7 writing test. Requires reporting of the how funds were used and targeted by the LBE to the SBE, and by the SBE to the Joint Legislative Education Oversight Committee (JLEOC), and other designated state agencies by October 31 annually. Provides an allocation formula for funds based on the difference between state average current expenses per student and current expenses per student that the county could provide given the county's wealth and average effort to fund schools. Penalizes counties expending less than minimum effort in funding, based on a comparison of the effective tax rates in 1996-97 and 1997-98, with a reduction in funding. Requires the Department of Revenue to report information on the assessed value of the property tax base for each county to the Department of Public Instruction (DPI). Directs that counties may not use the funds to supplant local current expense funds. Requires that the SBE withhold funds from counties that it determines have used funds to supplant current expenses and make a report to the JLEOC by May 1, 2008, identifying those counties. Specifies that the funding formula in this section is not intended to reflect any commitment by the General Assembly to appropriate additional supplemental funds for low-wealth counties. Includes definitions of terms as used in the section.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.7. Provides supplemental funding for each county school administrative unit (unit) (1) with an average daily membership (ADM) of fewer than 3,175 students, or (2) located in a county with a county-adjusted property tax base per student that is below the state-adjusted property tax base per student if the total ADM for all units within the county is from 3,175 to 4,000

students. Provides that if a unit becomes ineligible for these funds under the formula, funding for the unit will continue for seven years after the unit becomes ineligible. Encourages LBEs to use at least 20% of the funds to improve the academic performance of students in grades 3 through 8 scoring less than a Level III on the end-of-grade (EOG) reading and mathematics tests and grades 4 and 7 writing tests. Requires LBEs to report to SBE about the use of funds for this purpose and requires SBE to report to JLEOC. Directs that counties may not use the funds to supplant local current expense funds. Requires that the SBE withhold funds from counties that it determines have used funds to supplant current expenses and make a report to the JLEOC by May 1, 2008, identifying those counties. Specifies that the funding formula in this section is not intended to reflect any commitment by the General Assembly to appropriate additional supplemental funds for small school systems and if funds are not adequate to fully fund the formula, funds will be distributed on a pro rata basis. Includes definitions of terms used in the section.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.8. Specifies that Disadvantaged Student Supplemental Funds (DSSF) are appropriated to address the capacity of local education agencies (LEAs) to meet the needs of disadvantaged students. Directs that each LEA implement a plan, developed working jointly with the LEA Assistance Program team, to address the needs of students in the LEA who are not achieving grade level proficiency. Provides that the plan detail how DSSF will be used in conjunction with other supplemental funding allotments. Specifies the approved uses for the funds and requires that plans be approved by the SBE prior to receipt of the DSSF allotment. Authorizes the SBE to require LEAs receiving DSSF to purchase the Education Value Added Assessment System for use in analysis of student performance and identifying strategies for improving student achievement. Provides that there are funds appropriated under this act to evaluate the DSSF and Low-Wealth initiatives and directs SBE to use the funds to evaluate the impact of strategies implemented with the funds by LEAs and the efficiency and effectiveness of the technical assistance and support provided to LEAs by the DPI. Directs SBE to report the evaluation results to the Office of State Budget and Management (OSBM), JLEOC, and the Fiscal Research Division (FRD) by January 15 of each year. Requires that the DSSF allocation be based on the LEA's eligible DSSF population (calculated according to DPI formula) and calculations based on the student-to-teacher ratio differential. LEAs that received funds in 2005-06 will not receive a DSSF allocation less than the amount allotted in 2006-07. Provides that if the wealth of an LEA increases to a level that adversely affects the LEA's DSSF allotment ratio, the DSSF allotment ration for the LEA will be maintained at the prior year level for one additional year.

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

SECTION 7.9. Requires that SBE develop guidelines for identifying and providing services to students with limited English language proficiency (LEP) and allocate funds to districts based upon ADM of LEP students. To receive funds for LEP students, an LEA or charter school must have a minimum of 20 LEP students or LEP students must comprise at least 2.5% of the ADM. The maximum number of LEP students for which an LEA or charter may receive funds is 10.6% of its ADM. Directs that LEP funding be used to supplement local current expense funds and not to supplant local current expense funds. Provides a list of approved uses for LEP funds at the local level. Requires that DPI assess LEP students every three years to assess proficiency levels. Students who score "superior" on the standard English language proficiency assessment instrument used in North Carolina are not to be included in the head count of students with LEP.

CHILDREN WITH DISABILITIES

SECTION 7.10. Requires that the SBE allocate \$3,186.57 per child for a maximum of 172,317 children for the 2007-08 school year. Directs that each LEA receive funds for the lesser of (1) all students who are identified as children with disabilities, or (2) 12.5% of the ADM for the LEA. Requires that the dollar amounts allocated for children with disabilities be adjusted in accordance with legislative increments and benefits adjustments for personnel who work with children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.11. Requires that SBE allocate funds for academically or intellectually gifted (AG) children on the basis of \$1,012.60 per child. Provides that an LEA receive funds for a

maximum of 4% of its 2007-08 ADM and caps at 58,470 the number of children for whom the SBE may allocate AG funds. Requires that the dollar amounts allocated for AG children be adjusted in accordance with legislative increments and benefits adjustments for personnel who work with AG children.

EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

SECTION 7.12. Directs the SBE to allocate funds appropriated for the 2007-08 and 2008-09 fiscal years for Student Accountability Standards to LEAs based on the number of students who score at Level I or Level II on either the reading or mathematics EOGs in grades 3-8. Designates that the funds be used to improve academic performance of students performing below Level III on the EOGs in grades 3-8 or on the writing tests in grades 4 and 7. Funds may also be used to improve the academic performance of students who perform at Level I or Level II on the high school end-of-course exams. Provides that funds will not revert and will remain available until August 31 of the subsequent fiscal year. Prohibits the transfer of their funds to other allocation categories, but allows local boards of education to transfer other available funds into this allocation category. Requires the principal of a school receiving these funds, in consultation with the faculty and site-based management plan, to implement plans for using these funds to improve student performance.

LITIGATION RESERVE FUNDS

SECTION 7.13 Authorizes the SBE to expend \$200,000 each year for 2007-08 and 2008-09 from unexpended certified employee salary funds for expenses related to pending litigation.

REPLACEMENT SCHOOL BUSES FUNDS

SECTION 7.14. Specifies the conditions that the SBE may impose on allotments to local boards of education for the replacement of school buses.

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 7.15. Authorizes the SBE to use funds appropriated to State Aid for Public Schools if it does not have sufficient funds in the ADM Contingency Reserve to make allotment adjustments in accordance with the provisions of the NC Public Schools Allotment Policy Manual and establishes standards for reducing allotments for school districts with reduced student enrollment.

CHARTER SCHOOL EVALUATION

SECTION 7.16. Authorizes the SBE to spend up to \$50,000 a year from the State Aid to Local School Administrative Units for the fiscal biennium to evaluate charter schools. Directs the SBE to consider the extent to which charter schools have met six objectives set out in GS 115C-238.29A. Requires the SBE to report the evaluation results to JLEOC and FRD.

MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

SECTION 7.17. Allows the SBE to grant flexibility to local boards of education (LBE) in the use of funds to provide mentoring support to all state-paid newly certified teachers, second-year teachers who were assigned mentors during the prior school year, and entry-level instructional support personnel who have not previously been teachers. Requires the LBE to submit a mentor plan to the SBE for approval and to report to the SBE on the impact of the mentor plan on teacher retention. Requires the SBE to report the collated findings to the JLEOC annually by October 15 each year of the biennium. Additionally requires the SBE to evaluate the effectiveness of a representative sample of local mentor programs and report on its findings by December 15 of each year of the biennium to the JLEOC and FRD.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.18. Requires the SBE to use funds appropriated in the act to provide incentive funding for schools that met or exceeded projected levels of improvement in student performance in the 2006-07 school year as follows: schools that achieve higher than expected improvements—\$1,500 for teachers and certified personnel and \$500 for each teacher assistant; schools that met expected improvements—\$750 for teachers and certified personnel and \$375 for teaching assistances. Directs that the SBE may use funds appropriated to the State Public School Fund to implement the new Consolidated Assistance Program (CAP) required by the act. Requires the SBE to report to the JLEOC by January 15, 2008, regarding any restructuring of the CAP.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.19. Requires that funds appropriated for the Learn and Earn high school workforce development program be used to create rigorous and relevant high school options that allow students to earn an associate degree or two years of college credit by the year after their senior year in high school. Directs that the funds be used to establish new high schools in which an LEA, two- and four-year colleges and universities, and local employers work together to ensure relevance between the high school and postsecondary college curricula and the needs of participating employers. Funds may not be allocated until Learn and Earn high schools are certified as operational. During its first year of operation, allots a principal to a Learn and Earn high school regardless of the number of state-paid teachers or the number of students enrolled in the school. Directs the SBE to work closely with the Education Cabinet and the New Schools Project in administering the program. Specifies allowable uses for funds allocated for the Learn and Earn program. Requires the SBE to verify the credit hour enrollment of Learn and Earn students in university or community college courses prior to allotting funds for fees, tuition, and textbooks. Directs the SBE to conduct an annual evaluation of the program and report to the JLEOC and FRD by January 15 of each year.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.20. Directs that the NC Virtual Public School (NCVPS) program report to the SBE and maintain an administrative office at DPI. Delineates duties and responsibilities of NCVPS Director in ensuring course quality standards and E-learning opportunities. Requires the Director to report on the consolidating status and operating plan to JLEOC, FRD, and OSBM no later than January 15, 2008 and to incorporate collaboration efforts with Learn and Earn in the report. Specifies that the director is to prioritize E-learning course offerings for students in rural and low-wealth county LEAs. Directs the SBE to implement an allotment formula for funding E-learning effective in 2008-09. Provides that funds for NCVPS appropriated in 2006-07 that are not expended that year are to be carried over to 2007-08, and if funds remain unspent as of June 30, 2008, they will revert to the General Fund.

SMALL RESTRUCTURED HIGH SCHOOLS

SECTION 7.21. Requires the SBE to report the evaluation results for the program to the JLEOC and other state agencies no later than January 15 of each year. Directs that the evaluation include measures as identified in GS 115C-238.55 and specifies additional measures to include.

NC WISE POSITIONS

SECTION 7.22. Provides that the SBE may, in consultation with the Office of Information Technology Services, use funds appropriated in the act for NC WISE to create a maximum of 10 positions and incur expenditures necessary to administer NC WISE within DPI.

21ST CENTURY LITERACY COACHES

SECTION 7.23. Provides funds to support the hiring of 60 literacy coaches to be placed in 60 middle schools or other schools with an eighth grade class. Provides that the SBE in consultation with the NC Teacher Academy will develop formal criteria for a site selection process.

MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS

SECTION 7.24. Provides for DPI to continue implementation of the "More at Four" (MAF) program for four-year-olds statewide who are at-risk of failure in kindergarten. Directs DPI, in collaboration with the Department of Health and Human Services, to implement a plan to expand the MAF program by identifying existing programs that meet the MAF standards. Requires DPI to report to JLEOC and other legislative committees by February 1, 2008, on MAF status including costs, number of children served, and expenditures. Provides that for the 2007-08 and 2008-09 fiscal years, MAF is to establish income eligibility requirements not to exceed 75% of the state median income; however, allows up to 20% of children enrolled to have family incomes in excess of 75% of the median state income if they have other risk factors.

ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

SECTION 7.25 Directs that all funds appropriated or otherwise received by the Teaching Fellows Program (TFP) be placed in a revolving fund and that the fund be used for scholarship loans granted under the TFP. Provides that the NC Public School Forum as administrator for the TFP, may use up to \$810,000 annually for 2007-08 from the balance in the revolving fund established in GS 115C-363.23A(f) for costs of administering the TFP. Requires the TFP to report

to the JLEOC by March 15, 2008, on (1) actual expenditures for 2006-07 and budgeted expenditures for 2007-08, and (2) initiatives to recruit minorities to the program.

NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES

SECTION 7.26. GS 115C-105.41 prohibits charging tuition or fees to students at risk of academic failure (at-risk students). Directs that effective July 1, 2007, LEAs are to formally inform at-risk students and their parents or guardians that there is no charge for intervention activities/practices offered by the LEA or for transportation to participate in those intervention activities/practices. Also requires that LEAs formally communicate to students and their parents or guardians that effective July 1, 2007, no tuition or fees will be charged for summer school courses required for remediation or that are necessary for the student to meet graduation requirements.

LEARN AND EARN ONLINE

SECTION 7.27. Directs that funds appropriated for the Learn and Earn Online program, designed to allow high school students to qualify for college credit by enrolling in college courses offered online through the University of North Carolina and the NC Community College System, be used for specified expenditures. Provides that SBE will determine the allocation of the online course offerings across the state. Directs SBE, UNC, and the NC Community College System to report regarding implementation for the 2007-08 school year and the proposed operating plan for the 2008-09 school year to the JLEOC, OSBM, and FRD no later than April 15, 2008.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.28. Directs that \$12 million appropriated in the act to support enhancing the technology infrastructure for public schools be used for broadband access, equipment, and support services that create, improve, and sustain equity of access for instructional opportunities for public school students and educators. Requires SBE to contract with an entity that has the capacity to serve as an administrator for the School Connectivity Initiative. Directs that the appropriated funds be used to implement a plan approved by SBE and details the components that the plan is to include. Directs SBE to report by January 18, 2008, on its progress towards achieving the connectivity initiative and annually thereafter to the JLEOC and other state offices and divisions.

REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.29. Provides that DPI may reorganize in accordance with the plan adopted by the SBE. Requires DPI to report on the reorganization to the Joint Legislative Commission on Governmental Operations. This section expires June 30, 2008.

LEGISLATIVE STUDY ON EARLY CHILDHOOD PROGRAMS

SECTION 7.30. Creates the Legislative Study Commission on Early Childhood Programs (Commission) consisting of 12 members, with four members of the House of Representatives and two members of the general public appointed by the Speaker and four members of the Senate and two members of the general public appointed by the President Pro Tem. Provides that the task of the Commission is to assess the feasibility and desirability of consolidating the North Carolina Partnership for Children, Inc., and the "More at Four" program. Provides guidelines for appointing co-chairs for the Commission, contracting for consultant services, filling vacancies, and duties and powers of the Commission. Requires the Commission to report its findings, recommendations, and legislative proposals to the 2008 Regular Session of the General Assembly. The Commission terminates upon filing its report.

STUDY OF PUBLIC SCHOOL FUNDING FORMULAS

SECTION 7.31. Creates the Joint Legislative Study Committee on Public School Funding Formulas (Funding Formulas Committee) consisting of 12 members, six members of the House of Representatives appointed by the Speaker and six members of the Senate appointed by the President Pro Tem. Provides guidelines for appointing co-chairs for the Commission, and discharging the duties and powers of the Commission. Provides that the task of the Funding Formulas Committee is to perform an extensive study of the following public school funding formulas: (1) children with disabilities; (2) LEP; (3) at-risk student services/alternative schools; (4) improving student accountability; (5) DSSF; (6) low wealth counties supplemental fund; (7) small county supplemental fund; and (8) transportation of pupils. Requires the Funding Formulas Committee to report its findings, recommendations, and legislative proposals to the 2008 Regular

Session of the General Assembly. The Funding Formulas Committee terminates upon filing its report.

DROPOUT PREVENTION GRANTS

Section 7.32. Directs SBE to consider recommendations from the House Education Subcommittee on Pre-school, Elementary, and Secondary Education in developing and adopting its guidelines and procedures on dropout prevention grants. Requires that the grants be distributed in time for grantee programs to begin implementation during the 2007-08 school year. Provides that the SBE may use up to \$150,000 of the funds appropriated for dropout prevention grants to establish up to two positions to support administration of these grants. Directs the SBE to report to the JLEOC by October 15, 2008, on the grants distributed for the 2007-08 school year.

SCHOOL SAFETY OFFICERS

SECTION 7.33. Amends GS 115C-105.47(b) to require that each local school board's local school administrative unit safe school plan include a statement as to the number of school safety officers, if any, that will be assigned to each middle school and high school. Requires that state funds allocated in the at-risk/ alternative schools allotment be used to provide at least one school safety officer for each middle and high school, except for charter schools, unless the SBE waives the requirement. Provides that the SBE may waive the requirement only if the local school administrative unit has an alternative plan for addressing its safety needs or providing a safety officer.

HIGH PRIORITY SCHOOLS

SECTION 7.34. Allows the SBE to develop a policy to phase out over a two year period the supplementary funding currently provided to the two remaining elementary schools designated as high priority. Provides that SBE may use funds in the ADM Contingency Reserve to support any additional cost of the two-year phaseout. Restricts SBE from using funds appropriated for State Aid to Local Administrative Units to contract with an outside organization to evaluate the high priority schools initiative begun in the 2001-02 fiscal year. However, allows SBE to use up to \$500,000 previously allocated for this purpose to support the ongoing evaluation of the DSSF initiative.

DISTANCE EDUCATION

SECTION 7.35. Provides that notwithstanding GS 143C-6-4 (Budget adjustments authorized) the SBE may use funds from the State Public School Fund in the 2007-08 fiscal year only to pay for the additional costs associated with and increased number of registration fees for students enrolled in Distance Education courses.

CHILD NUTRITION OPERATING FUNDS

SECTION 7.36. Directs the SBE to establish a reimbursement formula for elementary school lunches in addition to the amount of federal reimbursement for free and reduced-price lunches to help offset the cost of the lunches served.

PART VIII. COMMUNITY COLLEGES

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT

SECTION 8.1. Provides that funds appropriated to the Community Colleges System Office (CCSO) for the College Information System Project do not revert at the end of the 2006-07 fiscal year. Authorizes the CCSO to use funds appropriated for the project to create up to 10 positions or incur expenditures necessary to transfer the maintenance and administration of the project from the vendor to the CCSO, with the positions to be located in individual community colleges. Requires quarterly reports to the Joint Legislative Education Oversight Committee (JLEOC) on the implementation of the project.

CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY COLLEGES

SECTION 8.2. Provides that the CCSO may carry forward up to \$10 million of the operating funds that were not reverted in fiscal year 2006-07 to be reallocated to the Equipment Reserve Fund of the State Board of Community Colleges (SBCC).

INSTRUCTIONAL RESOURCE ALLOCATION FORMULA

SECTION 8.3. Directs the SBCC to develop a new funding formula for library books and related instructional resources before distributing funds appropriated for this purpose for the

2007-09 fiscal biennium. The formula is to reflect the availability of online subscription resources and electronic media.

REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES

SECTION 8.4. Requires a report from the Community College System Office by March 1, 2008, to the JLEOC, the Fiscal Research Division (FRD), and the Office of State Budget and Management, on efforts regarding distance learning opportunities, including description of bandwidth capacities at all community colleges, five-year history of distance learning courses offered and number of FTE students served, results of student and instructor evaluations of the courses, cooperative efforts with the University of North Carolina (UNC) and private colleges, and changes needed to enhance sharing with UNC and the Department of Public Instruction.

COMMUNITY COLLEGE FACULTY SALARY PLAN

SECTION 8.5. Sets minimum salaries for full-time, nine-month, curriculum community college faculty as follows:

Vocational Diploma/Certificate or Less	\$33,314
Associate Degree or Equivalent	\$33,805
Bachelor's Degree	\$35,931
Master's Degree or Education Specialist	\$37,817
Doctoral Degree	\$40,537.

Provides that the minimum salary for part-time faculty members is to be the pro rata hourly rate of the equivalent full-time minimum.

Permits community colleges to transfer funds allocated to them for faculty salaries on the following basis: (1) if the average faculty salary at a community college is 100% or more of the national average community college faculty salary, the college may transfer up to 8% of the State funds allocated to it for faculty salaries; (2) if the average is above 95%, the college may transfer 6%; (3) if the average is above 90%, the college may transfer 5%; (4) if the average is above 85%, the college may transfer 3%; and (5) if the average is 85% or less, the college may transfer 2% (except with the approval of the SBCC, for purposes that directly affect student services).

Provides that a community college may use all state funds allocated to it (except for Literacy Funds and Funds for New and Expanding Industries) to increase faculty salaries.

SUSPEND APPROVAL OF NEW MULTICAMPUS CENTERS

SECTION 8.6. Prohibits SBCC from approving additional multicampus centers during the 2007-08 fiscal year. Directs JLEOC to study the process and criteria used by SBCC for approving multicampus centers and to consider whether the establishment of additional centers should be subject to General Assembly approval.

COMMUNITY COLLEGE CONNECTIVITY FUNDS

SECTION 8.7. Directs the CCSO, in spending appropriated bandwidth-increase funds, to seek the best value among information technology providers in order to maximize online instruction, provide accurate data transmission, and utilize video services.

STUDY OF BASIC SKILLS FORMULA

SECTION 8.8. Directs the SBCC to make findings and recommendations for a new formula budget computation for the Basic Skills Block Grant and report to the JLEOC and the FRD by March 31, 2008.

REALIGNMENT OF STATE AID ALLOCATIONS

SECTION 8.9. Directs the SBCC to examine new State Aid allocation options that more closely align the allocation and expenditure of state-appropriated resources and to realign the 2007-08 formula budget computation to incorporate the Academic Support Supplement into the Institutional Support Formula.

COMMUNITY COLLEGES FACILITIES AND EQUIPMENT FUNDS

SECTION 8.10. Directs the CCSO to develop a competitive grant application process and guidelines for facility or equipment needs, by which community colleges may apply for grants using funds appropriated to the Community College Facilities and Equipment Fund. Directs the SBCC to award grants on the merit of the applications received, with priority given to projects in low-wealth counties, to projects that have a high potential for promoting economic growth in economically depressed areas, and to projects at colleges that did not receive a grant during the 2006-07 fiscal year. Projects are to be distributed geographically throughout the state and no

individual grant may exceed \$2 million. Grants must be matched, dollar-for-dollar with non-state funds.

PART IX. UNIVERSITIES

NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH FORMULA

SECTION 9.1. Directs the Office of State Budget and Management (OSBM), working jointly with the University of North Carolina (UNC) and the Fiscal Research Division (FRD), to create a formula for enrollment growth at the North Carolina School of Science and Mathematics, with the formula to be used for the enrollment growth funding request to be submitted to the 2008 Session of the General Assembly.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.2. Directs the UNC Board of Governors (BOG) to study faculty workload using the Delaware Study Method of collecting data. Comparisons are to be made among UNC institutions and between UNC institutions and their peer institutions. Study is to be submitted to the JLEOC, OSBM, and the FRD by March 1, 2008.

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.3. Appropriates from income from the Escheat Fund to (1) the BOG \$75,638,016 for 2007-08 and 2008-09, (2) to the State Board of Community Colleges \$13,981,202 for 2007-08 and 2008-09, and (3) to the Department of Administration, Division of Veteran Affairs \$6,228,633 for 2007-08 and \$6,520,964 for 2008-09. These amounts are to be allocated by the North Carolina State Educational Assistance Authority (SEAA) for need-based student financial aid. If the interest income generated from the Escheat Fund is less than these amounts, the difference may be taken from the Escheat Fund principal to reach these appropriations, except that the Escheat Fund principal may not be reduced below \$400 million.

Provides that the SEAA is to perform all administrative functions for implementation of this program. SEAA is to conduct periodic evaluations and may make recommendations for redistribution of funds to UNC, the Department of Administration, and the Community College System regarding their respective scholarship programs, and then may authorize redistribution of unutilized funds for a particular fiscal year.

Appropriates from the Escheat Fund to the BOG \$1,157,000 for 2007-08 and 2008-09 to be allocated to the SEAA for the Millennium Teaching Scholarship Loan Program for North Carolina high school seniors interested in preparing to teach in the State's public schools who enroll at any of the Historically Black Colleges and Universities that do not have Teaching Fellows. Directs SEAA to allocate 20 grants of \$6,500 each to the three such universities with no Teaching Fellows.

BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS

SECTION 9.4. Enacts GS 116-40.9 to authorize scholarship loan awards through the BOG Medical Scholarship Program to students admitted after July 1, 2007. Awards may provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers, and an annual stipend of \$5,000 per year to students who have been accepted for admission to Duke University School of Medicine, Brody School of Medicine at East Carolina University, the University of North Carolina at Chapel Hill School of Medicine, or the Wake Forest University School of Medicine. Authorizes the BOG to adopt standards for awarding scholarship loans and requires it to make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. Loans are to have an interest rate of 10% per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The loan is to be forgiven if, within seven years after graduation, the recipient practices medicine in North Carolina for four years (or if the recipient is unable to practice medicine in this time period due to death or permanent disability). All unused funds, all repayments of scholarship loans, and all interest earned on funds, revert to the General Fund at the end of each fiscal year.

BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS

SECTION 9.5. Enacts GS 116-40.10 to authorize scholarship loan awards through the BOG Dental Scholarship Program to students admitted after July 1, 2007. Awards may provide a four-year scholarship loan of relevant tuition and fees, mandatory medical insurance, required laptop computers, required dental equipment, and an annual stipend of \$5,000 per year to students who have been accepted for admission at the School of Dentistry at the University of North Carolina at Chapel Hill. Authorizes the BOG to adopt standards for awarding scholarship loans and requires it to make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. Loans are to have an interest rate of 10% per year beginning September 1 after completion of the program, or immediately after termination of the scholarship loan, whichever is earlier. The loan is to be forgiven if, within seven years after graduation, the recipient practices dentistry in North Carolina for four years (or if the recipient is unable to practice dentistry in this time period due to death or permanent disability). All unused funds, all repayments of scholarship loans, and all interest earned on funds, revert to the General Fund at the end of each fiscal year.

GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM

SECTION 9.6. Amends GS 90-171.100 and 90-171.101 to add community college nursing faculty enrolled in a masters degree program in nursing education to the list of nursing students eligible for loan awards under the Graduate Nurse Scholarship Program for Faculty Production. Provides that these faculty members are to have preference for receipt of the loan awards. The loans are to be forgiven if the recipient teaches in a community college nursing program in North Carolina within seven years after graduation, at the rate of one year's loan amount for each year of teaching.

ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA SCHOLARS FUND (EARN)

SECTION 9.7. Enacts GS 116-209.26 to establish the Education Access Rewards North Carolina Scholars Fund to allow eligible students to obtain their first two years of postsecondary education at a UNC institution or NC community college without incurring student loans. SEAA is to administer the Fund. Sets income and enrollment criteria for grants. Sets the maximum grant at \$4,000 per year. Requires SEAA to make annual reports beginning December 1, 2009, regarding the fund and grants awarded. Provides that unexpended grant funds will remain available to SEAA for future program grants. Appropriates \$25 million for 2007-08 and \$50 million for 2008-09 from the Escheat Fund to SEAA to implement the program. No grants are to be distributed before July 1, 2008.

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

SECTION 9.8. Directs the UNC General Administration and the SEAA to reorganize a particular budget code—UNC Board of Governors Related Educational Programs—so that the budget reflects and segregates each specific program individually. Directs General Administration to obtain approval from OSBM and then report the reorganized code to the FRD by March 31, 2008.

FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM

SECTION 9.9. Amends GS 116-209.38(a) to increase from 100 to 150 the number of scholarship loans to be awarded annually under the Future Teachers of North Carolina program.

PRINCIPALS' EXECUTIVE PROGRAM

SECTION 9.10. Provides that the operating budget of the Principals' Executive program is appropriated on a nonrecurring basis for the 2007-09 biennium until the General Assembly receives data showing the program has a positive, measurable impact on conditions for teaching and learning in schools. Directs the program to develop a formalized admissions policy giving priority to school administrators working in high-need schools and taking into account geographic diversity. Directs the State Board of Education and the BOG to recommend to the JLEOC, by April 1, 2008, a plan to provide input on the program's priorities and feedback on its performance.

REPEAL NORTH CAROLINA PROGRESS BOARD

SECTION 9.11. Repeals Part 2A of Article 9 of Chapter 143B of the General Statutes, which provides for the North Carolina Progress Board.

REVERT MOTORSPORTS CAPITAL ACCOUNT

SECTION 9.12. Provides that, effective June 30, 2007, the unencumbered balance of the funds appropriated to the NC Motor Sports Testing and Research Complex in Section 32.1 of S.L. 2004-124, as amended by Section 3 of S.L. 2004-184, reverts to the General Fund.

LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS

SECTION 9.13. Amends GS 116-21.2 and 116-43.5 (which provide for direct payment of tuition grants on behalf of all full-time North Carolina undergraduate students and licensure students enrolled in qualifying North Carolina private colleges) to make those payments applicable to part-time students in those institutions. To be eligible, part-time students must be taking at least six hours of undergraduate credit per semester. If funds are insufficient to fund all grants, then full-time students are to receive their full grants and part-time students are to receive prorated shares of their pro rata grants.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

PHYSICIAN SERVICES

SECTION 10.1. Permits the Department of Health and Human Services (DHHS), with approval of the Office of State Budget and Management (OSBM), to use funds appropriated for across-the-board salary increases and performance pay to offset similar increases in the costs of contracting with private and independent universities for the provision of physician services to clients in facilities operated by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS).

LIABILITY INSURANCE

SECTION 10.2. Permits DHHS and the Departments of Environment and Natural Resources and Correction to provide medical liability coverage up to \$1 million per incident on behalf of employees of the departments licensed to practice medicine or dentistry, on behalf of all licensed physicians who are faculty members of the University of North Carolina who work on contract for DMH/DD/SAS for incidents that occur in Division programs, and on behalf of physicians in all residency training programs from the University of North Carolina who are in training at institutions operated by DHHS. The insurance must not cover certain acts or omissions, such as criminal acts or acts amounting to willful or wanton negligence.

FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS ASSOCIATION

SECTION 10.3. Limits expenditure of funds appropriated for the Jim "Catfish" Hunter Chapter of the ALS Association to services provided within North Carolina.

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.4. Permits DHHS employees to authorize, in writing, periodic payroll deductions to pay for child care provided by DHHS.

NONMEDICAID REIMBURSEMENT CHANGES

SECTION 10.5. Directs that providers of medical services under programs other than Medicaid be reimbursed at rates no more than those under the North Carolina Medical Assistance Program, but permits DHHS to negotiate with medical services providers for rates as close as possible to Medicaid rates for contracts or agreements for medical services and purchases of medical equipment and other medical supplies when those services cannot be provided when limited to the Medicaid rate. Provides income eligibility levels for various programs of DHHS and sets out state financial participation in the Atypical Antipsychotic Medication Program for enrollees who become gainfully employed.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.6. Provides that of the funds appropriated for Community Health Grants, \$7 million for 2007-08 and \$7 million for 2008-09 is to be used to (1) increase access to preventative and primary care services by uninsured or medically indigent patients in existing or new health center locations; (2) establish community health center services in counties where no such services exist; (3) create new services or augment existing services provided to uninsured or medically indigent patients, including primary care and preventative medical services, dental services, pharmacy, and behavioral health; and (4) increase capacity necessary to serve the uninsured by enhancing or replacing facilities, equipment, or technologies. Directs the DHHS Office of Rural Health and Community Care (ORHCC) to establish a committee in conjunction with the North Carolina Community Health Center Association and the North Carolina Public Health Association to (1) develop a process for awarding the grants and (2) study and present recommendations to the General Assembly for expanding community and rural health centers and public health departments.

FUNDS TO ASSIST RURAL HOSPITALS

SECTION 10.7. Directs the ORHCC to use \$2 million for 2007-08 and \$2 million for 2008-09 for capital and operational needs in small rural hospitals, and for pilot demonstration programs to address rural hospital issues, based on criteria to be established by advisory groups. Requires ORHCC to report by March 1, 2008, to the Senate Appropriations Committee on Health and Human Services, House Appropriations Subcommittee on Health and Human Services, and Fiscal Research Division (FRD).

TRANSFER SHIP FUNDS TO DEPARTMENT OF INSURANCE

SECTION 10.8. Directs the ORCCC to transfer \$500,000 for 2007-08 to the Department of Insurance to support the Seniors Health Insurance Information Program (SHIP) to assist seniors in enrollment in the NCRx Program and Medicare Part D.

COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION, HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.9. Establishes the School-Based Child and Family Team Initiative, intended to identify and coordinate appropriate community services and supports for children at risk of school failure or out-of-home placement in order to address the physical, social, legal, emotional, and developmental factors that affect academic performance. Sets out the principles on which the program is to be based and the program's goals and services.

Directs local school boards to establish the initiative at designated schools, with a school nurse and school social worker as team leaders. Directs each local management entity (LME) with any selected schools in its catchment area to appoint a Care Coordinator, and any department of social services with a selected school in its catchment area to appoint a Child and Family Team Facilitator. Sets out the duties of these officials and these agencies. Requires the appropriate school superintendent to designate or establish a local advisory committee if one of the administrative unit's schools is a participant in the initiative, and sets out required membership of the committees.

Creates the North Carolina Child and Family Leadership Council within the Department of Administration, to advise the Governor in the development of the Initiative and ensure active state and local government participation and collaboration in the Initiative. Specifies that the Superintendent of Public Instruction and Secretary of Health and Human Services will serve as cochairs of the council, with other members being the Secretary of the Department of Juvenile Justice and Delinquency Prevention (DJJDP), the Chair of the State Board of Education, the Director of the Administrative Office of the Courts (AOC), and other members as appointed by the Governor. Sets out duties of council.

Directs DHHS, DJJDP, AOC, and the Department of Public Instruction (DPI) to collaborate in the development and implementation of the initiative and provide the initiative with all required support.

COMPREHENSIVE TREATMENT SERVICES PROGRAM/ESTABLISHMENT OF TASK FORCE ON THE COORDINATION OF CHILDREN'S SERVICES

SECTION 10.10. Directs DHHS to continue the Comprehensive Treatment Services Program for children at risk for institutionalization or other out-of-home placement. Sets out purposes and required content of program. Requires, as a condition of allocating funds for the program, that there be a memorandum of agreement between DHHS and DPI and other affected state agencies; also requires local memoranda of understanding between local departments of social services, area mental health programs, local education agencies, and AOC and DJJDP, as appropriate, addressing issues pertinent to local implementation of the program. Directs DHHS to report on the implementation of the Program to the various legislative committees.

Amends Chapter 120, Article 24 of the General Statutes to expand and modify membership on the Legislative Study Commission on Children and Youth and modify the duties of the Commission. Adds new GS 120-221 establishing the Task Force on Coordination of Children's Services, which is charged with studying and recommending methods to improve collaboration and coordination among agencies that provide services to children, youth, and families with multiple service needs. Sets out the membership and duties of the Task Force. Requires the Task Force to report regularly to the Commission and annually to the General Assembly. Authorizes the assignment of professional and clerical staff to the Task Force.

SENIOR CENTER OUTREACH

SECTION 10.11. Directs the Division of Aging and Adult Services (DAAS) to use funds appropriated to it for 2007-09 to enhance senior center programs by either expanding the outreach capacity of senior centers to reach unserved or underserved areas or providing start-up funds for new senior centers. Directs that before funds may be used for a new senior center, the county commissioners of the county in which the new center will be located must formally endorse the need for such a center; formally agree on the sponsoring agency for the center; and commit to use local funds to support the ongoing operation of the center. Limits state funding to 75% of reimbursable costs.

QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT CARE HOMES

SECTION 10.12. Directs DAAS to develop a Quality Improvement Consultation Program for adult care homes and sets out procedures for doing so and topics to be addressed. Requires DAAS to conduct a pilot of the program in no more than four county departments of social services.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.13. Sets out maximum monthly rate for residents in adult care home facilities and Alzheimer/Dementia special care units. Directs DHHS to review activities and costs related to the provision of care in adult care homes and determine what costs may be considered to properly maximize allowable reimbursement available through Medicaid personal care services for adult care homes (ACH-PCS) under federal law. Directs DHHS to recommend rates for State-County Special Assistance and for Adult Care Home Personal Care Services.

SPECIAL ASSISTANCE IN-HOME

SECTION 10.14. Adds new GS 108A-47.1 permitting DHHS to use funds from the existing State-County Special Assistance for Adults budget to provide Special Assistance

payments to individuals who, but for receiving in-home care, would have sought placement in an adult care home facility. Limits payments to 75% of the monthly payment the individual would have received if the individual resided in an adult care home. Requires DHHS to establish an eligibility program that includes a functional assessment. Provides that this in-home option is available to counties on a voluntary basis.

CHILD CARE SUBSIDY RATES

SECTION 10.15. Specifies that the maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services is 75% of the state median income, adjusted for family size. Directs that fees for families who are required to share in the cost of care are to be determined as follows: (1) family of 1 to 3, 10% of gross family income; (2) family of 4 to 5, 9%; and (3) family of 6 or more, 8%. Sets out requirements for payments for purchase of child care services for low-income children. Sets out rules for payment rates for providers, standards for participation by licensed facilities, and eligibility of noncitizen families.

CHILD CARE ALLOCATION FORMULA

SECTION 10.16. Directs DHHS to allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families and provides that the mandatory 30% Smart Start subsidy allocation under GS 143B-168.15(g) constitutes the base amount for each county's child care subsidy allocation. Sets out the method DHHS is to use in allocating the remaining funds. Also directs DHHS to allocate up to \$12 million in federal block grant funds and state funds appropriated for 2007-08 and 2008-09 for child care services to prevent termination of child care services or for other specific needs as determined by DHHS.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.17. Prohibits DHHS from requiring local matching funds as a condition of any locality's receiving its initial allocation of child care funds unless federal law requires a match. Provides that additional funds above \$25,000 that are reallocated by DHHS to local purchasing agencies beyond their initial allocation require a 15% local match. If such funds are reallocated, DHHS must evaluate the matching requirement to determine whether it should be adjusted. DHHS must report its findings by April 1, 2008, to legislative committees on health and human services and FRD.

CHILD CARE REVOLVING LOAN

SECTION 10.18. Permits funds budgeted for the Child Care Revolving Loan Fund to be transferred to and invested by the financial institution contracted to operate the Fund. Permits the principal and any income to the Fund to be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay DHHS's cost of administering the program.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.19. Limits administrative costs and sets out rules applicable to the NC Partnership for Children and local partnerships for using competitive bidding practices in contracting for goods and services. Sets out matching requirements for NC Partnership for Children local partnerships. Prohibits capital expenditures and the use of state funds for advertising and promotional activities. Permits a county to use the county's allocation of state and federal child care funds to subsidize child care according to the county's

Early Childhood Education and Development Initiatives Plan as approved by the NC Partnership for Children. Directs that during the biennium the local partnerships must spend an amount for child care subsidies that provides at least \$52 million for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement.

EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH HEARING AND VISUAL IMPAIRMENTS

SECTION 10.20. Directs DHHS and DPI to (1) evaluate the State's entire service delivery model for deaf and blind students, (2) determine whether the State's schools serving this population should be transferred from DHHS to DPI, and (3) develop a plan to reduce institutional capacity. The agencies must report their findings and recommendations to the General Assembly by April 1, 2008.

EARLY INTERVENTION SERVICES REPORT

SECTION 10.21. Directs DHHS Division of Public Health (DPH) to prepare a report on children ages birth to three years entering the Early Intervention system from July 1, 2007, through December 31, 2007. Sets out the information to be included in the report and requires findings to be reported by February 1, 2008, to legislative committees on health and human services and FRD.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.22. Directs DHHS to allocate \$2.75 million to the Community-Focused Eliminating Health Disparities Initiative (CFEHD) to provide grants-in-aid to local public health departments, American Indian tribes, and faith-based and community-based organizations. DHHS is required to report on the program by March 1, 2008, to the House of Representatives and Senate Appropriations Subcommittees on Health and Human Services and the FRD. Sets out the content required in the report.

FUNDS FOR SCHOOL NURSES

SECTION 10.23. Directs DHHS to allocate \$4 million in 2007-08 and \$4 million in 2008-09 for the school nurse initiative. The funds must not supplant other funds and must be used for direct services. Nurses funded with state funds must participate, as needed, in child and family teams.

PUBLIC HEALTH FUNDS TO AID COUNTIES

SECTION 10.24. Directs DHHS DPH to allocate \$4 million in 2007-08 and \$4 million in 2008-09 as noncategorical General Aid to County funds to improve the delivery of the 10 essential public health services in all counties. These funds must not be used to supplant other funds.

HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND PLAN

SECTION 10.25. Directs DHHS to create an inventory of all of the health promotion and disease prevention activities and adopt a plan to combine the identified resources into a single funding stream allocation to be distributed to local health departments. Identifies factors that must be considered in the funding formula. Requires DHHS to submit the inventory and plan by February 1, 2008, to legislative committees on health and human services and FRD.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.26. Permits DHHS to adjust the financial eligibility criterion of the AIDS Drug Assistance Program up to an amount not exceeding 250% of the federal poverty level in order to serve as many eligible North Carolinians with HIV disease as possible within existing resources plus any new federal resources. If a waiting list develops, priority must be given to individuals at or below 125% of the federal poverty level.

HIV AND HEPATITIS-C PREVENTION PROGRAM

SECTION 10.27. Permits DHHS to use funds appropriated to DPH for HIV prevention to implement three community-based harm reduction programs as part of a comprehensive Hepatitis C and HIV disease prevention program.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.28. Directs DHHS to (1) implement and maintain performance standards for each of the State and county child support enforcement offices across the State, (2) monitor the performance of each office, (3) implement a system that allows each local office to review its performance as well as the performance of other offices, and (4) publish an annual performance report. DHHS must report on its progress to legislative committees on health and human services and FRD by May 1 of each even-numbered year.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.29. Establishes maximum rates for state participation in the foster care assistance program, the adoption assistance program, and the HIV foster care and adoption assistance program.

CHILD CARING INSTITUTIONS

SECTION 10.30. Prohibits reimbursements to child caring institutions from exceeding the reimbursement rate established for the specific child caring institution by the DHHS Office of the Controller. Directs that counties, in determining the maximum reimbursement, include county and IV-E reimbursements. Lifts prohibition when the Social Services Commission adopts standardized rates pursuant to GS 143B-153(8).

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.31. Specifies that of the funds appropriated to DHHS, \$100,000 must be used to support the Special Children Adoption Fund for 2007-08 and 2008-09. Directs the Division of Social Services, in consultation with the NC Association of County Directors of Social Services and representatives of licensed private adoption agencies, to develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in GS 108A-50 and in foster care. Provides that no local match may be required as a condition for receipt of these funds. Specifies that of the funds appropriated for the Special Children Adoption Fund each year, 20% of the total funds available must be reserved for payment to participating private adoption agencies.

LIMITATION ON STATE ABORTION FUND

SECTION 10.32. Extends the limitations on state funding for the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, to 2007-08 and 2008-09. Those laws limited funding to women who have an income below the federal poverty level and are ineligible for Medicaid. The fund may be used only for abortions to terminate pregnancies that (1) are the result of rape or incest or (2) endanger the life of the mother.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.33. Directs the Intensive Family Preservation Services Program to provide intensive services to children and families in cases of abuse, neglect, and dependency where a child is at imminent risk of removal from the home and to children and families in cases of abuse where a child is not at imminent risk of removal from the home. Directs DHHS to establish a performance-based funding protocol and require that any program or entity that receives state, federal, or other funding for the purpose of Intensive Family Preservation Services must provide specified information and data.

Requires DHHS to report on the program in each even-numbered year to legislative committees on health and human services and FRD.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.34. Appropriates from the Escheat Fund to DHHS \$3,107,200 for 2007-08 and \$6,336,500 for 2008-09 to implement a child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12. Allows fund principal to be used if necessary. Appropriates \$50,000 from the General Fund to DHHS to be allocated to the North Carolina State Education Assistance Authority to perform administrative functions necessary to manage and distribute scholarship funds under the child welfare postsecondary support program. Appropriates \$650,000 from the General Fund for 2007-08 and \$650,000 for 2008-09 to contract with an entity to develop and administer the child welfare postsecondary support program.

TANF BENEFIT IMPLEMENTATION

SECTION 10.35. States that the General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2007-09," prepared by DHHS and presented to the General Assembly. Directs DHHS to submit the plan to the United States Department of Health and Human Services. Names the electing counties under the plan as Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, McDowell, Sampson, Stokes, and Wilson.

MEDICAID

SECTION 10.36. Establishes the allocation of the nonfederal share of Medicaid costs. Subject to preapproval by OSBM allows DHHS Division of Medical Assistance (DMA) to use funds for certain information system equipment and software. Sets out the policies, eligibility requirements, covered services, and provider payment requirements and restrictions. Permits DHHS to impose copayments authorized by federal law. All reports required by this section must be submitted to legislative committees on health and human services and FRD.

MEDICAID COST-CONTAINMENT ACTIVITIES

SECTION 10.37. Permits DHHS to use not more than \$5 million in each year of the biennium in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. Requires approval of OSBM before funds may be expended under this section. DHHS must submit proposals for expenditures and reports on past expenditures for cost-containment activities to legislative committees on health and human services and FRD.

COUNTY MEDICAID COST-SHARE

SECTION 10.38. Effective July 1, 2000, directs that the county share of the cost of Medicaid services currently and previously provided by LMEs be increased incrementally each fiscal year until the county share reaches 15% of the nonfederal share by state fiscal year 2009-10. Effective July 1, 2000, provides that the county share of the cost of Medicaid Personal Care Services paid to adult care homes is decreased incrementally each fiscal year until the county share reaches 15% of the nonfederal share by state fiscal year 2009-10.

DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS

SECTION 10.39. For each year of the 2007-09 biennium, directs the DHHS, Division of Medical Assistance, to deposit up to \$100 million associated with Disproportionate Share Payments from state hospitals with the Department of State Treasurer for deposit as nontax revenue. Provides that any Disproportionate Share Payments collected in excess of \$100 million be reserved by the State Treasurer for future appropriations.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.40. Specifies that of the funds transferred to DHHS for Medicaid programs pursuant to GS 143C-9-1, \$53 million is appropriated in each year of the 2007-09 biennium, to be allocated as prescribed by GS 143C-9-1(b) for Medicaid programs. Specifies that these funds are to replace the reduction in general revenue funding effected in the act. Permits DHHS to use funds in the Medicaid Special Fund to fund the settlement of the Disproportionate Share Hospital payment audit issues between DHHS and the federal government related to fiscal years 1997-2002, and appropriates funds from the fund for the 2007-09 biennium for this purpose.

IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT PROGRAM

SECTION 10.41. Directs DMA, in consultation with the Community Care of NC program, to implement an Electronic Quality Prescription Management program for prescription drugs through the use of personal data assistance technology.

DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE RECOVERY PLAN

SECTION 10.42. Amends section 10.21C(c) of S.L. 2005-276, as amended by Section 16 of S.L. 2005-345, and as further amended by Section 10.9B of S.L. 2006-66, to delay the effective date of the Medicaid estate recovery plan from July 1, 2007, to July 1, 2009.

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.43. Amends section 10.18(c) of S.L. 2005-276, as amended by Section 10.9(a) of S.L. 2006-66, to delay the effective date of a Medicaid buy-in program for workers with disabilities from July 1, 2007 to July 1, 2008.

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.44. Directs that full implementation for the Community Alternatives Programs reimbursement system must be no later than 12 months after the date on which the replacement Medicaid Management Information System becomes operational and stabilized.

DEPARTMENTAL STUDY OF COST-SHARING UNDER THE CAP MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM

SECTION 10.45. Directs DMA to study the feasibility and cost-savings of imposing an income-based cost-sharing requirement under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) Program and the CAP-C (Community Alternatives Program for Children). Specifies issues to be considered during the study. Requires DHHS to report its findings and recommendations by March 1, 2008, to legislative committees on health and human services and FRD.

CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID RECIPIENTS

SECTION 10.46. Directs DHHS to continue efforts to expand the scope of the Community Care of NC care management model to recipients of Medicaid and dually eligible individuals with a chronic condition and long-term care needs, and sets out directions to DHHS for doing so. Requires DHHS to pilot local initiatives and expand, statewide, successful models. Requires DHHS to report its findings and recommendations by March 1, 2008, to legislative committees on health and human services and FRD.

NC HEALTH CHOICE ENROLLMENT

SECTION 10.47. Permits DHHS to allow up to 3% enrollment growth in the NC Health Choice Program every six months.

NC KIDS' CARE

SECTION 10.48. Directs DHHS to develop and implement a limited benefit medical assistance program, NC Kids' Care, to apply for Medicaid waivers in order to expand health care coverage to children in families with incomes between 200% and 300% of the federal poverty guidelines. Provides that NC Kids' Care would not be an entitlement program; it would be subject to the availability of funds and changes in the law. Sets out eligibility criteria, benefits, cost-

sharing and co-payments for the program. Provides that services to enrolled children will be provided through providers in Community Care of North Carolina. Enrollment in the program is not capped but must not exceed funds appropriated for the program. The nonfederal share is to be paid by enrollee premiums and state funds; counties are not required to pay a share. Permits DHHS to contract with a third party administrator until it has the ability to administer the program itself. Program is effective January 1, 2008, or upon approval of all required federal waivers and State Plan amendments, whichever is later.

BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

--INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.

SECTION 10.49(a-d). For those funds appropriated to DHHS Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) for regionally funded, locally hosted substance abuse services, DHHS must allocate funds for the purpose of developing and enhancing the American Society of Addiction Medicine (ASAM) continuum of care at the community level. DMH/DD/SAS must develop and direct purchasing mechanisms to improve the availability of substance abuse services offered on a local, regional, and statewide basis in coordination with one or more local management entities (LMEs). Amends GS 122C-147.1 by adding a new subsection (d1) to require area programs to determine how it will earn funds for crisis and substance abuse services. Encourages LMEs to use funds appropriated for substance abuse treatment services to support prevention and education activities. Permits LMEs to use up to 1% of allocated substance abuse treatment funds to provide nominal incentives for consumers who achieve treatment benchmarks.

SECTION 10.49(e). Directs DMH/DD/SAS to allocate \$4 million for each year of the biennium to specific substance abuse programs. Allocates \$300,000 to Treatment Accountability for Safer Communities (TASC). Requires LMEs to consult with TASC and local drug treatment court teams in providing treatment and services.

SECTION 10.49(f). Requires LMEs to work with local health departments and sheriffs to provide medical assessments and medication, if appropriate, for inmates housed in county jails who are suicidal, hallucinating, or delusional. LMEs must also examine ways to provide additional treatment to persons who are determined to be psychotic, severely depressed, or suicidal, or who have substance abuse disorders. Requires LMEs, county public health departments, and county sheriffs to work together to develop (1) a screening instrument to be used when offenders are booked, (2) a designated LME employee who is responsible for screening the daily jail log, (3) protocols for effective communication between LMEs and jail staff regarding medication management and (4) training to help detention officers recognize signals of mental illness.

--ADDITIONAL HOUSING ASSISTANCE.

SECTION 10.49(g-h). Directs DHHS DMH/DD/SAS and the NC Housing Finance Agency to develop a plan for constructing independent and supportive living apartments for individuals with mental health, developmental, or substance abuse disabilities. The apartments must be affordable to persons with incomes at the Social Security Income (SSI) level. Directs DHHS to report on the plan and the progress of the Housing 400 Initiative by March 1, 2008, to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities and Substance Abuse Services.

SECTION 10.49(i-l). Directs DHHS to develop a new service to provide 24-hour residential treatment and rehabilitation for adults who have a pattern of difficult behaviors related to mental illness and submit the new service definition to the federal government for approval no later than 90 days after the enactment of the appropriations act. Permits the joint ad hoc subcommittee regarding persons with mental illness in adult care homes to continue to study housing issues for adults with mental illness. Requires DHHS to complete the development of a screening tool for LMEs to assess individuals admitted to long-term care facilities. The tool must be available for use no later than 90 days after the enactment of the appropriations act. Provides that LMEs are responsible for the delivery of case management for recipients of State-County Special Assistance In-Home services who have a mental illness, developmental disability, or substance abuse disorder and are within the target populations for those disabilities.

--CRISIS AND ACUTE CARE SERVICES.

SECTION 10.49(m-o). Directs DHHS to allocate \$4 million in each year of the 2007-09 biennium to LMEs to continue to implement crisis plans. Permits DHHS to allocate up to \$250,000 to extend its contract with the crisis services consultant. Amends the law requiring the development of crisis plans to require the plans to provide for detox services. Requires LMEs to report monthly to DHHS and the consultant and requires DHHS to report quarterly to various legislative committees. The reporting requirements expire July 1, 2008. Requires LMEs to work with sheriffs and county public health agencies to serve individuals who are incarcerated or being held in county jails and who are in need of crisis services. Amends GS 122C-147.1 to provide that funds appropriated for crisis services shall not be allocated in broad disability or age/disability categories.

SECTION 10.49(r) Directs DHHS to develop a system for reporting to LMEs information regarding all visits to community hospital emergency departments by individuals who are in crisis due to a mental illness, a developmental disability, or a substance abuse disorder. Requires the system to be implemented no later than 90 days after the enactment of the appropriations act.

SECTION 10.49(s1-s5). Directs DHHS DMH/DD/SAS to allocate \$1 million each year of the 2007-09 biennium to develop a pilot program to reduce State psychiatric hospital use and to increase local services for persons with mental illness, with \$750,000 to be allocated to LMEs. Requires DMH/DD/SAS to implement a pilot with an LME to test a mechanism to reduce psychiatric hospital use by holding a LME financially and clinically responsible for the cost of that use and by providing additional resources to build community capacity. The first pilot must be implemented no later than January 1, 2008. Sets out parameters for the pilot and directs DHHS to develop a plan for expanded pilots in future years.

SECTION 10.49(t). Permits DHHS to close Dorothea Dix Hospital or John Umstead Hospital (or any unit or section of John Umstead hospital) if certain conditions are satisfied. Conditions include notifications to certain legislators, presentation of closure plans, and completion of patient transfers.

SECTION 10.49(u). Directs DHHS to continue to implement a plan for the transition of patients from State psychiatric hospitals to the community or to other long-term care facilities. Sets out guiding principles and implementation requirements for the plan. Requires DHHS to submit reports on the status of this plan to various legislative committees and FRD on December 1, 2007, and May 1, 2008.

--USE OF MENTAL HEALTH TRUST FUNDS.

SECTION 10.49(v-x). Requires funds allocated to area programs that are remaining in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs (Trust Fund) to be dispersed. Requires DHHS to limit the LME fund balance. Amends GS 143C-9-2 to include new language clarifying that the money must be used for community-based programs, removing language authorizing use of the money for certain State purposes, and requiring DHHS to report annually to FRD on expenditures from the fund. Allows DHHS to use money from the Trust Fund to support new positions at a new alcohol and drug abuse center if it opens before July 1, 2008.

--STRENGTHEN THE SERVICES NETWORK.

SECTION 10.49(y-aa). Requires DHHS to designate four additional LMEs to receive all State allocations through single stream funding. If DHHS fails to make the designations by June 1, 2007, the General Assembly will make them. Requires the Joint Legislative Oversight Committee for Mental Health, Developmental Disabilities, and Substance Abuse Services to study the effectiveness of the 1915(b) Medicaid waiver and of those LMEs operating under a waiver. Directs DHHS to begin the process of applying for additional 1915(b) waivers for three additional LMEs by July 1, 2008.

--FILLING SERVICE GAPS.

SECTION 10.49(bb-ee). Provides that of funds appropriated in this act for mental health services and supported employment, each LME must receive a percentage of the total allocation that is equal to that LME's percentage of the State's total population below the federal poverty level. Provides that GS 122C-147.1(c) applies to the State-funded service of developmental therapies. Directs DHHS to develop and apply for additional federal waivers for home and community-based services for persons with developmental disabilities. Requires DHHS to tier the

rates for the service of community supports based on the level of qualifications of the individuals delivering the services and the types of services being delivered by these individuals.

--LME ADMINISTRATIVE FUNDING.

SECTION 10.49(ff). Directs LMEs to report to DMH/DD/SAS all expenditures from county funds by the LME for services, start-up expenses, and capital and operational expenditures.

DEVELOPMENTAL CENTER DOWNSIZING

SECTION 10.50. Directs DHHS to ensure that the downsizing of the state's regional Developmental Centers is based on individual needs and the availability of community-based services with a targeted goal of 4% each year and sets out more detailed directives to DHHS in this regard. Sets out how DHHS is to apply any savings in state appropriations that result from reductions in beds or services. Requires DHHS to report on its progress to legislative committees on health and human services and FRD by January 15, 2008, with a final report due by May 1, 2009.

DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.51. Directs DMH/DD/SAS, in cooperation with area mental health authorities and county programs, to identify and eliminate administrative and fiscal barriers created by existing State and local policies and procedures in the delivery of community-based mental health, developmental disabilities, and substance abuse services provided through the area programs and county programs. Requires DHHS to develop a new formula for allocating funds to area authorities and county programs and submit the new formula to legislative committees on health and human services and FRD by October 1, 2007.

SERVICES TO MULTIPLY DIAGNOSED ADULTS

SECTION 10.52. Directs DMH/DD/SAS to implement certain guiding principles with respect to providing services to multiply diagnosed adults and implement certain cost-reduction strategies for serving this population. Prohibits the use of state funds for the purchase of single-family or other residential dwellings to house multiply diagnosed adults. Directs DHHS to report on implementation to various legislative committees and FRD on May 1, 2008, and May 1, 2009.

DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL REGIONAL HOSPITAL

SECTION 10.53. Allows DHHS to schedule the transfer of positions in a manner that is timely and with minimal disruption in services.

SECTION 10.54. Makes appropriation of funds to DHHS for positions and related costs to expand the Health Care Personnel Registry contingent upon enactment of House Bill 95, 2007 Regular Session, by the 2007 General Assembly.

DHHS BLOCK GRANTS

SECTION 10.55.(a). Appropriates amounts from federal block grant funds for the fiscal year ending June 30, 2008, as follows:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES
(TANF) BLOCK GRANT

Local Program Expenditures

Division of Social Services

01.	Work First Family Assistance (Cash Assistance)	\$95,807,234
02.	Work First County Block Grants	94,653,315
03.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
04.	Work First – Boys and Girls Clubs	1,500,000
05.	Work First – After-School Services for At-Risk Children	2,249,642
06.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000

07.	Work First – Connect, Inc.	550,000
08.	Adoption Services – Special Children's Adoption Fund	3,000,000
09.	Family Violence Prevention	2,200,000
	Division of Child Development	
10.	Subsidized Child Care Program	48,563,266
	DHHS Administration	
11.	Division of Social Services	762,626
12.	Office of the Secretary	65,836
13.	Office of the Secretary/DIRM – TANF Automation Projects	592,500
14.	Office of the Secretary/DIRM – NC FAST Implementation	1,800,000
	Transfers to Other Block Grants	
	Division of Child Development	
15.	Transfer to the Child Care and Development Fund	81,292,880
	Division of Social Services	
16.	Transfer to Social Services Block Grant for Department of Juvenile Justice and Delinquency Prevention – Support Our Students	2,749,642
17.	Transfer to Social Services Block Grant for Child Protective Services – Child Welfare Training in Counties	2,550,000
18.	Transfer to Social Services Block Grant for Maternity Homes	838,000
19.	Transfer to Social Services Block Grant for Teen Pregnancy Prevention Initiatives	2,500,000
20.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
21.	Transfer to Social Services Block Grant for Foster Care Services	1,181,907
	TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT	\$362,309,239
	SOCIAL SERVICES BLOCK GRANT	
	Local Program Expenditures	
	Divisions of Social Services and Aging and Adult Services	
01.	County Departments of Social Services (Transfer from TANF – \$4,500,000)	\$ 28,868,189
02.	State In-Home Services Fund	2,101,113
03.	State Adult Day Care Fund	2,155,301
04.	Child Protective Services/CPS Investigative Services-Child Medical Evaluation Program	238,321
05.	Foster Care Services (Transfer from TANF – \$1,181,907)	2,649,662
06.	Foster Care Maintenance Payments	2,636,587
07.	Child Protective Services-Child Welfare Training for Counties (Transfer from TANF)	2,550,000

08.	Maternity Homes (Transfer from TANF)	838,000
	Division of Aging and Adult Services	
09.	Home and Community Care Block Grant (HCCBG)	1,834,077
	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services-Adult and Child/Developmental Disabilities Program/ Substance Abuse Services-Adult	3,234,601
	Division of Child Development	
13.	Subsidized Child Care Program	3,195,000
	Division of Vocational Rehabilitation	
14.	Vocational Rehabilitation Services – Easter Seal Society/UCP	188,263
	Office of the Secretary – Office of Economic Opportunity	
15.	Elderly Supplemental Grant Program	41,302
	Division of Public Health	
16.	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
17.	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
18.	Independent Living Program	3,480,133
	Division of Facility Services	
19.	Adult Care Licensure Program	411,897
20.	Mental Health Licensure and Certification Program	205,668
	DHHS Administration	
21.	Division of Aging and Adult Services	658,036
22.	Division of Social Services	869,058
23.	Office of the Secretary/Controller's Office	126,155
24.	Office of the Secretary/DIRM	82,009
25.	Division of Child Development	15,000
26.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	28,860
27.	Division of Facility Services	159,218
28.	Office of the Secretary-NC Inter-Agency Council For Coordinating Homeless Programs	250,000
29.	Office of the Secretary-Housing Coalition	100,000
30.	Office of the Secretary	46,819
	Transfers to Other State Agencies	
	Department of Administration	
31.	NC Commission of Indian Affairs In-Home Services for the Elderly	203,198
	Department of Juvenile Justice and Delinquency Prevention	
32.	Support Our Students (Transfer from TANF)	2,749,642

Transfers to Other Block Grants	
Division of Public Health	
33. Transfer to Preventive Health Services Block Grant for HIV/STD Prevention and Community Planning	145,819
TOTAL SOCIAL SERVICES BLOCK GRANT	\$ 68,232,489
LOW-INCOME ENERGY BLOCK GRANT	
Local Program Expenditures	
Division of Social Services	
01. Low-Income Energy Assistance Program (LIHEAP)	\$ 17,315,919
02. Crisis Intervention Program (CIP)	12,904,706
Office of the Secretary – Office of Economic Opportunity	
03. Weatherization Program	5,578,702
04. Heating Air Repair & Replacement Program (HARRP)	2,602,008
Local Administration	
Division of Social Services	
05. County DSS Administration	2,215,016
Office of the Secretary – Office of Economic Opportunity	
06. Local Residential Energy Efficiency Service Providers – Weatherization	262,837
07. Local Residential Energy Efficiency Service Providers – HARRP	122,591
DHHS Administration	
08. Division of Social Services	215,000
09. Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	7,389
10. Office of the Secretary/DIRM	245,395
11. Office of the Secretary/Controller's Office	11,211
12. Office of the Secretary/Office of Economic Opportunity – Weatherization	262,837
13. Office of the Secretary/Office of Economic Opportunity – HARRP	122,591
Transfers to Other State Agencies	
14. Department of Administration – N.C. State Commission of Indian Affairs	59,740
TOTAL LOW-INCOME ENERGY BLOCK GRANT	\$ 41,925,942
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT	
Local Program Expenditures	
Division of Child Development	
01. Subsidized Child Care Services	\$163,231,913
02. Subsidized Child Care Services (TANF to CCDF)	81,292,880
DHHS Program Expenditures	
Division of Child Development	
03. Quality and Availability Initiatives	31,463,419
Local Administrations	
Division of Child Development	
04. Administrative Expenses (Nondirect Subsidy Services Support)	1,849,000

DHHS Administration	
05. DCD Administrative Expenses	6,028,354
TOTAL CHILD CARE AND DEVELOPMENT FUND	
BLOCK GRANT	\$283,916,162
MENTAL HEALTH SERVICES BLOCK GRANT	
Local Program Expenditures	
01. Mental Health Services – Adult	\$ 5,654,932
02. Mental Health Services – Child	3,921,991
03. Comprehensive Treatment Service Program	1,500,000
Local Administration	
04. Division of Mental Health	100,000
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT	\$ 11,176,923
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	
Local Program Expenditures	
01. Substance Abuse Services – Adult	\$ 20,287,390
02. Substance Abuse Treatment Alternative for Women	8,069,524
03. Substance Abuse – HIV and IV Drug	4,816,378
04. Substance Abuse Prevention – Child	5,835,701
05. Substance Abuse Services – Child	4,940,500
06. Substance Abuse Strengthening Families – Prevention	851,156
Division of Public Health	
07. Risk Reduction Projects	633,980
08. Aid-to-Counties	209,576
09. Maternal Health	37,779
DHHS Administration	
10. Division of Mental Health	500,000
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT	\$ 46,181,984
MATERNAL AND CHILD HEALTH BLOCK GRANT	
Local Program Expenditures	
Division of Public Health	
01. Children's Health Services	6,657,275
02. Family Planning	4,078,338
03. Maternal Health	3,441,129
04. Teen Pregnancy Prevention Initiatives	85,710
05. Oral Health	35,951
DHHS Program Expenditures	
Division of Public Health	
06. Children's Health Services	2,444,445
07. Maternal Health	106,927
08. State Center for Health Statistics	33,134
09. Local Technical Assistance & Training	17,318
10. Injury and Violence Prevention	142,850
11. Office of Minority Health	37,068

12.	Immunization Program – Vaccine Distribution	310,667
	DHHS Administration	
13.	Division of Public Health Administration	600,586
	TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT	\$ 17,991,398
	PREVENTIVE HEALTH SERVICES BLOCK GRANT	
	Local Program Expenditures	
01.	NC Statewide Health Promotion	\$1,755,653
02.	Services to Rape Victims	197,112
03.	HIV/STD Prevention and Community Planning (Transfer from Social Services Block Grant)	145,819
	DHHS Program Expenditures	
04.	NC Statewide Health Promotion	718,451
05.	Oral Health	70,000
	DHHS Administration	
06.	Division of Public Health	163,806
	TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT	\$3,070,841
	COMMUNITY SERVICES BLOCK GRANT	
	Local Program Expenditures	
	Office of Economic Opportunity – Community Services Block Grant	
01.	Community Action Agencies	\$ 15,071,666
02.	Limited Purpose Agencies	823,136
	DHHS Administration	
03.	Office of Economic Opportunity	823,136
	TOTAL COMMUNITY SERVICES BLOCK GRANT	\$ 16,717,938

GENERAL PROVISIONS

SECTION 10.55(b). Directs DHHS to submit a separate plan for each Block Grant and specifies information that must be included in the plan.

SECTION 10.55(c). Provides that if the US Congress increases or decreases the federal fund availability for any of the Block Grants administered by DHHS from the amounts appropriated in this section, DHHS must allocate the increase proportionally across the program and activity appropriations, and in the case of a decrease, after determining the state administration, the remaining reductions must be allocated proportionately across the program and activity appropriations identified for that Block Grant. Allocations must get prior approval from the Office of State Budget and Management (OSBM), and if allocations are adjusted due to changes in federal fund availability, then a report must be made to several legislative commissions.

SECTION 10.55(d). Provides that all changes to the Block Grants administered by DHHS, with the exception of those that are caused by legislative salary and benefit adjustments, must be approved by OSBM and reported to the Joint Legislative Commission on Governmental Operations for approval before the changes are made. Changes that are made must be submitted to various legislative committees.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.55(e-o). Of the TANF Block Grant funds appropriated to the DHHS Division of Social Services, \$762,626 must be used to support administration of TANF-funded programs, \$2,200,000 must be used to provide domestic violence services to Work First recipients, and up to \$75,000 may be used to support one administrative position for the domestic violence services. Sets out a formula for allocating the domestic violence funding to county departments of social services and requires county departments to work with local domestic violence shelters to develop plans for utilizing the funds. \$2,249,642 must be used to expand after-school programs

and services for at-risk children. Directs DHHS to use the funds to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy, school dropout, and gang participation and may be used to fund one position to support the programs. \$14,452,391 must be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and postadoption services for eligible families. \$3,000,000 must be allocated to the Special Children Adoption Fund. Directs the Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, to develop guidelines for the awarding of funds to licensed public and private adoption agencies from the fund. \$1,800,000 must be used to implement N.C. FAST (North Carolina Families Accessing Services through Technology). \$500,000 must be used to expand after-school programs for at-risk children attending middle school. Directs DHHS to develop and implement a grant program to award funds to community-based programs demonstrating the capacity to reach children at risk of teen pregnancy, school dropout, and gang participation. Directs DHHS to review policies, programs, and initiatives to ensure that they support men in their role as fathers and strengthen fathers' involvement in their children's lives and encourage county departments of social services to ensure their Work First programs emphasize responsible fatherhood and increased participation by noncustodial fathers. \$550,000 must be transferred to Connect, Inc., which must report on the number of people served and the services received as a result of the receipt of funds. \$1,500,000 allocated for Boys and Girls Clubs must be used to make grants for approved programs. Directs DHHS to continue implementing county demonstration grants that began in 2006-07 to identify best practices that can be used by counties to improve work participation rates, and authorizes two time-limited positions to manage the grant award process and monitor the demonstration projects through 2009-2010. Directs DHHS to report on the progress of the demonstration grants by February 1, 2008, to legislative committees on health and human services and FRD.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.55(p-u). Exempts the Social Services Block Grant funds appropriated to the North Carolina Inter-Agency Council for Coordinating Homeless Programs and the NC Housing Coalition from the provisions of 10A NCAC 71R.0201.(3) (concerning matching rates applicable to financial participation in services funded by the Social Services Block Grant). Of the Social Services Block Grant, \$2,749,642 must be transferred to Department of Juvenile Justice and Delinquency Prevention for 2007-08 to be used to support the existing Support Our Students Program, including gang prevention, and to expand the Program statewide. \$2,550,000 must be used to support various child welfare training projects. \$838,000 must be used to purchase services at maternity homes throughout the State. \$2,649,662 must be allocated to the State Private Child Caring Agencies Fund.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.55(v). Permits allocation of additional emergency contingency funds to Energy Assistance Payments or Crisis Intervention Payments without prior consultation with the Joint Legislative Commission on Governmental Operations, but such allocations shall be reported to the Commission and FRD.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.55(w-y). No more than \$400,000 of the Child Care and Development Fund Block Grant may be used for the operations of the Medical Child Care Pilot. Allows DHHS to move unobligated grant funds to child care subsidies if allowed under federal requirements of the grant.

MENTAL HEALTH BLOCK GRANT

SECTION 10.55(z). \$1,500,000 of the funds appropriated to the Mental Health Block Grant and \$422,003 of the funds appropriated to the Social Services Block Grant must be used to continue a Comprehensive Treatment Services Program for Children. Directs DHHS to contract with The University of North Carolina at Chapel Hill for the purpose of providing psychology student stipends in the amount of \$50,000, \$25,000 of which must be paid from the Mental Health Block Grant.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.55(bb). \$250,000 must be used for the Basic Education Resource Treatment Initiative (BERT) for statewide implementation.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.55(cc). If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction to establish an Abstinence Until Marriage Education Program.

SECTION 10.55(dd). Directs DHHS to ensure that there will be follow-up testing in the Newborn Screening Program.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SALE OF TIMBER

SECTION 11.1. Amends GS 143-64.05(a) to exclude from the service charge the transfer or sale of timber on land owned by the Department of Agriculture and Consumer Services (DACS)(currently excludes only the Wildlife Resources Commission).

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 11.2. Requires DACS to study the equine industry in North Carolina, including assessing the numbers, composition, and value of the industry in North Carolina, analyzing the industry's impacts on the state's economy, and, after consulting with equine industry stakeholders, developing a plan to maximize the industry's economic opportunities. Lists issues to be addressed in the assessment and requires DACS to make enumerated evaluations in developing a plan to maximize the economic impact of the industry. Authorizes DACS to contract with another agency or consultant to conduct the assessment or to develop the plan. DACS must report to the chairs of the Joint Legislative Commission on Governmental Operations (Governmental Operations) and the Chairs of the Senate and House Appropriations Committees by January 15, 2009.

TOBACCO TRUST ACCOUNT INTERCEPT TO SUPPORT CERTAIN GENERAL FUND APPROPRIATIONS

SECTION 11.3. Transfers \$10 million for 2007-08 from the DACS Tobacco Trust Account (from the funds credited to the account from the Master Settlement Agreement) to the State Controller to be deposited in Intra State Transfers to support General Fund appropriations by the 2007 General Assembly to provide: (1) \$8.5 million to the North Carolina Agricultural Development and Farmland Preservation Trust Fund, (2) \$1 million to the One North Carolina Fund, and (3) \$500,000 to the Bernard Allen Memorial Emergency Drinking Water Fund.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE COSTS

SECTION 12.1. Amends GS 143-215.94B and GS 143-215.94D to allow the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund and the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to be used to support the administrative functions for leaking petroleum underground storage tank cleanup and underground storage tank regulation, up to the amounts allowed by law. Provides that when there is a legislative change in salaries and benefits, the administrative allowance must be changed by a corresponding amount.

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND

SECTION 12.2. Amends GS 87-98 to rename the Emergency Drinking Water Fund as the Bernard Allen Memorial Emergency Drinking Water Fund and to provide that the fund is under the control and direction of (was, established within) the Department of Environment and Natural Resources (DENR). Makes the fund a non-reverting, interest-bearing fund. Allows the fund to be used to pay for testing of and notifying owners of improved springs in addition to private drinking water wells. Provides that funds may cover the costs of testing done by DENR (was, the costs of testing). The fund may be used to pay for testing for suspected contamination up to once every three years at the request of the person who uses the well, and for providing alternative drinking water supplies to individuals whose drinking water well or improved spring is contaminated. Also places limitations on how the fund may be used in supplying alternative drinking water sources,

including prohibitions based on income and contaminant levels. Establishes a preference for using funds to create a permanent solution to the contamination over providing temporary water supplies. Requires DENR to consult with the Commission for Health Services and local health departments and report annually by October 1, beginning in 2008, to several legislative commissions, committees, and divisions.

RECEIPTS CREDITED TO NORTH CAROLINA AQUARIUMS FUND

SECTION 12.3. Amends GS143B-289.44 to require that all entrance fee receipts and receipts received by any aquarium for special events or activities be credited to the North Carolina Aquariums Fund (was, only entrance fee receipts). Makes a technical change.

NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY EQUIPMENT

SECTION 12.4. Requires the DENR Division of Forest Resources to submit a detailed list of the forestry equipment to be purchased under a lease-purchase or installment contract to the Governmental Operations and the Fiscal Research Division (FRD) before entering into the contract. Requires the Department of Administration to submit a detailed list of the forestry equipment to be purchased to the Governmental Operations and the FRD when it enters into a new lease purchase contract or a new installment contract for the purchase of forestry equipment on behalf of the Division of Forest Resources. If the list is modified, an updated list must be submitted before entering into the contract.

GRASSROOTS SCIENCE PROGRAM

SECTION 12.5. Allocates \$3,197,763 for the 2007-08 fiscal year from the funds appropriated to DENR for the Grassroots Science Program, as grants-in-aid for each fiscal year to the museums and centers listed in specified amounts. Requires DENR to report the operating budgets and attendance for each of the museums receiving funds to FRD by March 1, 2008. In order to qualify to receive funding, each museum must submit to DENR listed types of documentation, including the museum's IRS990 form.

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.6. The funds available to the Wildlife Resources Commission, requires \$500,000 for 2007-08 and \$500,000 for 2008-09 to be used to provide the state share necessary to support the beaver damage control program, if at least \$25,000 in federal funds is available each fiscal year to provide the federal share.

CAP WILDLIFE RESOURCES FUND ANNUAL SALES TAX RECEIPTS

SECTION 12.7. Amends GS 105-164.44B to cap the transfer of funds from the State sales and use tax to the Wildlife Resources Fund at \$22 million.

RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND

SECTION 12.8. Amends GS 113-44.15(a) to provide that investment earnings credited to the assets of the Parks and Recreation Trust Fund become part of the fund.

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. Authorizes the Department of Commerce to use up to \$300,000 of the funds appropriated to the One North Carolina Fund to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs in 2007-08.

NC GREEN BUSINESS FUND

SECTION 13.2. Enacts new Part 2B in Article 10 of Chapter 143B (GS 143B-437.4 through 143B-437.8) establishing NC Green Business, a revolving loan fund in the Department of Commerce (Commerce). Authorizes Commerce to make no-interest loans from the fund to private businesses with fewer than 100 employees, nonprofits, local governments, and state agencies to encourage businesses with fewer than 100 employees to develop projects in three priority areas: to develop biofuels industry, to develop green building industry, and to attract private sector investments and entrepreneurial growth in other clean technology and renewable energy products and businesses. Allows Commerce to establish an advisory committee, specifies required terms of loan agreements, directs Commerce to develop guidelines for selection of projects for no-interest loans, and requires Department to conduct an annual audit of each loan recipient.

EXECUTIVE AIRCRAFT/USES

SECTION 13.3. Enacts new GS 143B-437.011 providing that use of executive aircraft by the Department of Commerce for economic development purposes takes precedence over all other uses. Provides that if executive aircraft is not being used for economic development purposes, priority of uses is as follows: Governor, Council of State, and other state officials on state business. Also provides that if executive aircraft is used to attend athletic events, the rate charged is equal to the direct cost of operating the aircraft.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.4. Authorizes the Employment Security Commission (ESC) to use up to \$2.5 million in 2007-08 from the ESC Reserve Fund for administrative costs in collection of the Employment Security Commission Reserve Fund surcharge. Appropriates from the ESC Reserve Fund to the ESC \$7.3 million for 2007-08 for the following purposes: \$7 million for operation and support of local offices; \$200,000 for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in State education and training programs; \$100,000 to maintain compliance with Chapter 96 of the General Statutes, which directs the ESC to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the state's job training, education, and placement programs. Also appropriates from the ESC Reserve Fund to the ESC for 2007-08 up to \$2.5 million to fund state initiatives not currently funded through federal grants and \$350,000 to allow the ESC to continue to work with Connect, Inc., to provide dislocated workers with assistance in obtaining health care benefits, receiving vocational training, and securing employment.

NORTH CAROLINA CENTER FOR AUTOMOTIVE RESEARCH/FUNDS SHALL NOT REVERT

SECTION 13.5. Provides that funds appropriated to the Advanced Vehicle Research Center, Inc., from 2005-06 through 2006-07 do not revert but remain available to the Department of Commerce. Further provides that the Department of Commerce, with approval from OSBM, and under certain specified conditions, may transfer funds to the Advanced Vehicle Research Center if they determine the center has completed goals and projects consistent with the center's business plan. Further provides that by December 31, 2007, and April 30, 2008, the center must report to the Governor, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division (FRD) certain specified information and documents.

COUNCIL OF GOVERNMENT FUNDS

SECTION 13.6. Provides that of the funds appropriated in the act to the Department of Commerce, \$832,150 for each year of the 2007-09 biennium must be used only as provided by the act. Allocates to each regional council of government or lead regional organization up to \$48,950 for each year of the biennium. Permits regional councils of government to use funds only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments. Provides for payment of appropriated funds by electronic transfer in two equal installments. Prohibits use of funds to pay dues or assessments by member governments or to supplant funds appropriated by member governments. Requires each council of government or lead regional organization to report by January 15, 2008, and January 15, 2009, to Governmental Operations and FRD the information specified on past and projected program activities. Also requires regional councils to provide to FRD a copy of the organization's annual audited financial statement.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7. Of the funds appropriated to the Department of Commerce for regional economic development commissions, allocates funds according to formula specified in the act among the following seven commissions: Western North Carolina Regional Economic Development Commission, Research Triangle Regional Commission, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, Carolinas Partnership, Inc., and North Carolina's Eastern Region Economic Development Partnership. Subtracts from funds allocated to the Eastern Region \$330,750 for each year of 2007-09

biennium, which represents interest earnings from the \$7.5 million appropriation for the Global TransPark Development Zone in Section 6 of SL 1993-561, and reallocates those amounts among all seven commissions in accordance with the formula specified.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS

SECTION 13.8. Requires by February 15 of each year that the seven regional economic development commissions report to Governmental Operations and FRD the information specified on program activities, expenditures, strategies, and promotional activities. Also requires the commissions to provide to FRD a copy of their annual audited financial statement. Provides that the commissions are to receive their allocations quarterly from the Department of Commerce.

KERR-TAR REGIONAL ECONOMIC DEVELOPMENT CORPORATION/REPORTING REQUIREMENTS

SECTION 13.9. Requires the Kerr-Tar Regional Economic Development Corporation to report by January 15, 2008, and January 15, 2009, to Governmental Operations and FRD the information specified on past and projected program activities and expenditures. Also requires that the corporation submit to FRD a copy of the corporation's annual audited financial statement.

BIOTECHNOLOGY CENTER

SECTION 13.10. Directs the North Carolina Biotechnology Center to: (1) recapture funds spent in support of successful research and development efforts in the for-profit private sector; (2) fund biotechnology, biomedical, and related bioscience applications under its Business and Science Technology Programs; (3) report by January 15, 2008, and January 15, 2009, to Governmental Operations and FRD detailed information on program activities, expenditures, and financial status. Also directs the Biotechnology Center to provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management and FRD in the same manner as state departments and agencies in preparation for biennium budget requests.

NONPROFIT REPORTING REQUIREMENTS

SECTION 13.11. Requires the N.C. Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., Coalition of Farm and Rural Families, and Partnership for the Sounds, Inc., to report by January 15, 2008, and January 15, 2009, to Governmental Operations and FRD the information specified on past and projected program activities and expenditures. Requires these organizations to provide FRD a copy of their audited financial statements. Also provides that funds appropriated under the act will not be released to a nonprofit organization until the organization has satisfied the reporting requirements for January 15, 2007, and that fourth quarter allotments will not be released to a nonprofit organization that does not satisfy the reporting requirements by January 15, 2008, or January 15, 2009.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.12. Provides that of the funds appropriated to the Rural Economic Development Center, Inc., \$1,913,112 for each year of the 2007-09 biennium must be allocated for the purposes specified. Requires the Rural Center to provide a report containing budget, personnel, and salary information to the Office of State Budget and Management in the same manner as state departments and agencies in preparation for biennium budget requests. Provides that \$2,665,910 for each year of the 2007-09 biennium must be used for the grants and activities specified. Also provides that of funds allocated to Research and Demonstration Grants, \$25,000 is allocated to The Cooper Help Center and \$150,000 is allocated to EBC-ATOM (A Total Outreach Ministry) Project for 2007-08. Requires the Rural Economic Development Center to report by January 15, 2008, and January 15, 2009, to Governmental Operations and FRD the information specified on past and projected program activities and expenditures. Requires the Rural Center to provide FRD a copy of each grant recipient's annual audited financial statement.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 13.13. Provides that of the funds appropriated to the Rural Economic Development Center, Inc., \$19.5 million for each year of the 2007-09 biennium is allocated for purposes specified, with at least \$15 million each year to be used to provide grants under the North Carolina Infrastructure Program. Provides that funds appropriated in the act to the Rural Center are recurring funds. Allows the Rural Center to contract with other state agencies, the

University of North Carolina, and colleges within the North Carolina Community College System for certain aspects of the North Carolina Infrastructure Program, including design of program guidelines and evaluation of program results. Also provides that during each year of the 2007-09 biennium, the Rural Center may use up to 2% of the funds appropriated in the act to cover its expenses in administering the North Carolina Economic Infrastructure Program. Requires the Rural Center, no later than January 15 of each year, to report to the Joint Legislative Commission on Governmental Operations concerning the progress of the North Carolina Economic Infrastructure Program.

RURAL ECONOMIC DEVELOPMENT CENTER FUNDS

SECTION 13.14. Provides that of the funds appropriated to the North Carolina Rural Economic Development Center, Inc., \$19 million for 2007-08 must be used to expand the North Carolina Rural Economic Infrastructure Fund, with priority to severely distressed rural areas. Allows units of local government and nonprofit organizations to obtain grants, with priority to applicants in development tier one areas as defined in G.S. 143B-437.08. Gives priority to economic development projects that satisfy specified criteria. Provides that eligible units of local government and nonprofit organizations are not required to match grants but must demonstrate the commitment of other funds to the project. Allows up to 20% of appropriated funds to be used for equity investments and loans through the Rural Venture Fund to private businesses. Allows the Rural Center to use up to 4% of funds for administration of programs. Requires a quarterly report from the Rural Center to Governmental Operations, with the first report due by February 15, 2008.

OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS

SECTION 13.15. Provides that of the funds appropriated to the Rural Economic Development Center, Inc., \$361,000 for each year of the 2007-09 biennium must be equally distributed among the certified Opportunities Industrialization Centers for ongoing job training programs. Requires for each of the Opportunities Industrialization Centers receiving funds, that the Rural Center report by January 15, 2008, and January 15, 2009, to Governmental Operations and FRD the information specified on past and projected program activities and expenditures. Requires annual filing of financial statement with the State Auditor in the form and on the schedule prescribed by the State Auditor and a copy of the annual audited financial statement to the FRD.

E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS

SECTION 13.16. Allows the e-NC Authority to contract with other State agencies, The University of North Carolina, the North Carolina Community College System, and nonprofit organizations to assist with program development and evaluation of program activities. Requires the e-NC Authority to report to the 2008 General Assembly on the information specified in the act. Also requires the e-NC Authority, by September 30, 2007, and quarterly thereafter, to report to Governmental Operations on program development and evaluation of program activities.

WOW E-COMMUNITY DEVELOPMENT CORPORATION PILOT PROGRAM FUNDS

SECTION 13.17. Provides that of the funds appropriated to the e-NC Authority for 2007-08, \$290,000 is transferred to WOW e-Community Development Corporation (WOW e-CDC) for the Windows on the World Technology Center. Allocates funds among operating expenses, websites, operations, and other purposes. Provides that no funds may be released by the Office of State Budget and Management to WOW e-CDC until the State Auditor finds that WOW e-CDC is in compliance with all recommendations made by the State Auditor regarding fiscal management and internal controls. Requires WOW e-CDC to file with the Department of Commerce a copy of WOW e-CDC's policy addressing conflicts of interest. Requires the e-NC Authority and WOW e-CDC to conduct a study to determine the best methods to be used to address the shortage of Internet accessibility in rural or economically distressed areas of the State, to be submitted to the Joint Appropriations Subcommittee on Natural and Economic Resources by May 1, 2008. Also requires by April 30, 2008, that WOW e-CDC report to the Governor, Governmental Operations, and FRD the information specified about planned projects and expenditures for 2007-08. Also requires WOW e-CDC to provide its annual audited financial statement and IRS Form 990 to the Governor, Governmental Operations, and FRD; a report containing detailed budget information to the Office of State Budget and Management in the same manner as state departments and agencies in preparation for biennium budget requests; and specific salary information on the

written request of the chairs of Governmental Operations and the chairs of the House Appropriations Committee on Natural and Economic Resources and the Senate Appropriations Committee on Natural and Economic Resources.

NER BLOCK GRANTS

SECTION 13.18. Allocates federal block grant funds, totaling \$45 million, for the fiscal year ending June 30, 2008, as follows:

01.	State Administration	\$	1,000,000
02.	Urgent Needs and Contingency		1,000,000
03.	Scattered Site Housing		13,200,000
04.	Economic Development		7,710,000
05.	Small Business/Entrepreneurship		1,000,000
06.	Community Revitalization		13,500,000
07.	State Technical Assistance		450,000
08.	Housing Development		2,000,000
09.	Infrastructure		5,140,000

Provides that if federal funds are reduced or increased, then every program in each federal block grant must be reduced or increased by the same percentage change as in federal funds. Also provides that the Department of Commerce must award up to \$1 million in grants to local governments to provide assistance to low-to-moderate income individuals for small business and entrepreneurship development. Requires the Department of Commerce to consult with Governmental Operations before reallocating Community Development Block Grant Funds. Allows the Director of the Budget to reallocate funds without consulting with Governmental Operations in specified circumstances.

PART XIV. JUDICIAL DEPARTMENT

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 14.1. Requires that funds appropriated to Judicial Department in the 2007-09 biennium for equipment and supplies be certified in a reserve account and prohibits their expenditure for any other purpose. Permits the Administrative Office of the Courts (AOC) to transfer funds to programs during the operating year.

GRANT FUNDS

SECTION 14.2. Permits the Judicial Department to use up to \$1.5 million from departmental funds, including lapsed salaries, to provide the state match needed to receive grant funds. Requires the department, before using funds for this purpose, to report on grants to be matched to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Commission on Governmental Operations (Governmental Operations).

NORTH CAROLINA STATE BAR FUNDS

SECTION 14.3. Permits the North Carolina State Bar to use, from funds appropriated in the continuation budget as a grant-in-aid for the 2007-09 biennium, up to \$501,500 for 2007-08 and \$501,500 for 2008-09 to contract with the Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants. Requires the Office of Indigent Defense Services (IDS) to report by February 1, 2008, to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on activities funded by the grant-in-aid.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS

SECTION 14.4. Permits IDS to use up to \$2,192,350 in appropriated funds during 2007-08 and up to \$2,082,510 in appropriated funds during 2008-09 to expand existing or new public defender offices by creating up to 20 new attorney positions and 10 new support staff positions. Requires that IDS report on proposed expansion to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety before using funds for this purpose.

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 14.5. Requires IDS to report to the Chairs of the House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations

Subcommittees on Justice and Public Safety by March 1 of each year on a variety of specified subjects related to indigent defense.

INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 14.6. Permits IDS to use up to \$50,000 from funds available, including lapsed salary funds, to provide the state matching funds needed to receive grant funds. Requires IDS, before using funds, to report on the grants to be matched to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety and to Governmental Operations.

REPORT ON BUSINESS COURTS

SECTION 14.7. Requires AOC to report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by March 1 of each year on the activities of each North Carolina Business Court site, including the number of new, closed, and pending cases; average age of pending cases; and annual expenditures for the prior fiscal year.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 14.8. Permits the Judicial Department to use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2007, for the purchase or repair of office or information technology equipment during the 2007-08 fiscal year. Requires that before spending these funds, the Judicial Department must report to Governmental Operations and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

DISPUTE RESOLUTION FEES

SECTION 14.9. Provides that certification and renewal fees collected by the Dispute Resolution Commission are non-reverting and are to be used only at the direction of the Commission.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 14.10. Permits the Judicial Department, during the 2007-09 fiscal biennium, to establish a per-mile reimbursement rate for employees and officials other than judges, for transportation by privately owned vehicles at a rate less than the business standard mileage rate set by the IRS.

DRUG TREATMENT COURT FUNDS

SECTION 14.11. Except as otherwise provided in the act, provides that funds appropriated to the Judicial Department in the act for the Drug Treatment Court program must be used only to provide treatment and case coordination for offenders sentenced to intermediate punishment and offenders sentenced to community punishment who are at risk of revocation.

DRUG TREATMENT FUNDS NEED NOT BE GRANTED

SECTION 14.12. Permits funds appropriated to the Judicial Department for the 2007-09 fiscal biennium for drug treatment courts to be budgeted to support existing and new drug treatment courts rather than to be used as grants.

ADDITIONAL DISTRICT COURT JUDGES

SECTION 14.13. Amends GS 7A-133(a) to create positions for one additional district court judge in each of Districts 10, 11, and 26. Provides for appointment of the additional judges by the Governor and for the election of successor judges in the 2008 general election for four-year terms beginning on January 1, 2009.

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS

SECTION 14.14. Enacts new GS 7A-60(a2) permitting AOC to allocate up to 30 assistant district attorneys to districts based upon caseloads and other criteria.

STUDY AVAILABILITY OF PROSECUTORIAL RESOURCES TO DISTRICT ATTORNEYS AND THE MANAGEMENT AND USE OF THOSE RESOURCES BY DISTRICT ATTORNEYS

SECTION 14.15. Requires that the Legislative Research Commission contract for an independent study to assess the availability of prosecutorial resources to the state's district attorneys and the use and management of those resources by district attorneys, their staffs, and the Conference of District Attorneys. Specifies in detail matters to be addressed by the study.

Requires that findings and recommendations be reported to the Chairs of the House and Senate Appropriations Committee, Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety, and FRD by March 15, 2008.

PART XV. DEPARTMENT OF JUSTICE

STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT (SAFIS) REPORTS

SECTION 15.1. Requires the Department of Justice (DOJ) to provide two status reports on the implementation of Phase II of SAFIS to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety and to Governmental Operations. Requires the first report by February 1, 2008, and the second report by May 1, 2008. Specifies items to be included in each report.

PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES

SECTION 15.2. Requires the Private Protective Services and Alarm Systems Licensing Boards to pay the appropriate state agency for the use of physical facilities and services provided to those boards by the state.

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 15.3. Credits assets transferred to DOJ, the Department of Correction, and the Department of Crime Control and Public Safety (DCCPS) during the 2007-09 fiscal biennium pursuant to applicable federal law to the budgets of the respective departments, resulting in an increase of law enforcement resources for those departments. Requires the departments to report to Governmental Operations upon receipt of the assets and, before using the assets, to report on their intended use and the departmental priorities on which the assets may be expended.

Prohibits DOJ, the Department of Correction, and DCCPS without prior approval from the General Assembly from using assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, or structural change of buildings because these expenditures may result in additional expenses for the State in future fiscal periods.

Clarifies that the section does not bar North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 15.4. Requires client departments, agencies, and boards to reimburse DOJ for reasonable court fees, attorney travel and subsistence costs, and other costs directly related to litigation in which DOJ represents the department, agency, or board.

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 15.5. Requires that the Board of Governors of the University of North Carolina (UNC) reimburse DOJ for two Attorney III positions to provide legal representation to the UNC System.

NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED

SECTION 15.6. Requires the North Carolina Legal Education Assistance Foundation to report by March 1 of each year to Governmental Operations and to the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety on the expenditure of state funds, the purpose of the expenditures, the number of attorneys receiving funds, the average award amount, the average student loan amount, the number of attorneys on the waiting list, and the average number of years for which attorneys receive loan assistance.

PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY (DCCPS)

ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM

SECTION 16.1. Requires DCCPS to report to the Chairs of the House and Senate Appropriations Committees and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety by March 1 of each year of the biennium on the operations and effectiveness of the National Guard Tarheel Challenge Program. Requires DCCPS to evaluate and report on the program's effectiveness as an intervention method for preventing juveniles from becoming undisciplined or delinquent and on the program's role in improving individual skills and employment potential for participants. Specifies information to be included in the report.

NEW ALE NON-SWORN JOB CLASSIFICATION

SECTION 16.2. Requires the State Personnel Commission to develop a non-sworn position classification for the Alcohol Law Enforcement (ALE) Division of DCCPS after the Office of State Personnel reviews specific matters. Requires the Office of State Personnel to report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the State Personnel Commission by February 1, 2008, a detailed description of the new ALE civilian position, the estimated number of positions that should be established, and a time line for further review of the job classification by the State Personnel Commission.

ALTERNATIVE FUNDING SOURCE STUDY FOR LAW ENFORCEMENT SUPPORT SERVICES AND THE GEOSPATIAL AND TECHNOLOGY MANAGEMENT PROGRAM

SECTION 16.3. Requires DCCPS to study alternative funding sources for operating costs of the Law Enforcement Support Services Program and to report by March 1, 2008, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety. Requires that the report include information about federal grant sources and options for receipt-based funding from State and local agencies.

Directs DCCPS to study alternative funding sources for the Geospatial and Technology Management Program and to report by March 1, 2008, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety. Requires that the report include information about federal grant sources and receipt-based funding options from federal, State, and local agencies and private industry.

NC NATIONAL GUARD KIDS ON GUARD REPORT

SECTION 16.4. Requires the National Guard Kids on Guard program to report to Governmental Operations and the Chairs of the Joint Appropriations Subcommittee on Justice and Public Safety by March 1, 2008, on the program's funding and expenditures, the number of events completed and planned for the 2008-09 fiscal year, and the number of children served.

USE OF GANG PREVENTION FUNDS

SECTION 16.5. Requires that \$4,760,195 of the funds appropriated to DCCPS and the Governor's Crime Commission for 2007-08 be used for grants for street gang violence prevention and intervention programs. Requires the Governor's Crime Commission to develop eligibility criteria for grant funds, including a matching requirement of 25% and presentation of a written plan for services to be provided. Directs that funds be available to public and private entities for juvenile or adult programs that meet the established criteria. Requires the Governor's Crime Commission to report on the use of these funds by April 1, 2008, to the House and Senate Appropriations Subcommittees on Justice and Public Safety and FRD.

PART XVII. DEPARTMENT OF CORRECTION

MUTUAL AGREEMENT PAROLE PROGRAM

SECTION 17.1. Requires the Department of Correction (DOC) and the Post-Release Supervision and Parole Commission to report by March 1 of each year to the chairs of the House and Senate Appropriations Subcommittees on Justice and Public Safety (JPS) and to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee (Corrections Oversight) based on the previous calendar year the number of inmates enrolled in the program, the number completing the program and being paroled, and the number who enrolled but were terminated from the program.

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 17.2. Requires the Department of Transportation (DOT) to transfer \$11,300,000 per year to DOC during the 2007-08 and 2008-09 fiscal years for the cost of operating medium custody inmate road squads and minimum custody inmate litter crews. Requires quarterly transfers of \$2,825,000. Permits DOT to use appropriated funds to pay additional sums agreed upon by DOT, DOC, and the Office of State Budget and Management (OSBM).

Requires OSBM, in consultation with DOC and DOT, to study the cost and cost/benefit of operating medium custody road squads and minimum custody litter crews and to report the results to Corrections Oversight and to the Joint Legislative Transportation Oversight Committee by March 1, 2008. Directs that the study include a recommendation on whether the amount transferred from DOT to DOC for inmate road work is adequate.

ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT

SECTION 17.3. Amends GS 143B-262.3 to require that the annual DOC report on treatment for offenders with substance abuse problems include completion rates (in addition to utilization rates) for the DART/DWI program, including a report of the status of the aftercare program. New GS 143B-262.3(a)(6) requires reporting for each DOC program of the number of inmates with substance abuse problems requiring treatment, the number receiving treatment, the number who have completed treatment and a comparison of available treatment slots to actual utilization rates. New GS 143B-262.3(a)(7) requires evaluation of each DOC substance abuse treatment program based upon reduction in alcohol and drug dependency, recidivism, and other measures of success. Eliminates GS 143B-262.3(a)(4) (required reports on offender and inmate tracking and program evaluation system), (a)(5) (required reports on statistical information now required by new subdivisions (6) and (7)), and (b) (required annual reporting on Community Service Work Program).

Directs DOC to focus evaluation effort during the 2007-2009 fiscal biennium on long-term residential therapeutic communities operated by DOC through private contract and directly by the DOC. Requires that evaluation component of the March 1, 2008, annual report be a status report providing preliminary information and that the March 1, 2009 annual report include the final evaluation.

INMATE CONSTRUCTION PROGRAM

SECTION 17.4. Provides that funding authorized in the act is intended to increase participation in the Inmate Construction Program in order to improve inmate job skills and reduce recidivism. Directs DOC to report on the program by April 1, 2008, to Corrections Oversight and the House and Senate Appropriations Subcommittees on JPS. Requires that the report summarize 2007-08 program projects, including a description of each project, the number of inmate workers, and the estimated total cost of the project compared to the cost if the project was conducted without inmate workers. Also requires that the report estimate the number of inmate workers to be in the program during the 2008-09 fiscal year.

FEDERAL GRANT REPORTING

SECTION 17.5. Directs DOC, DOJ, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention to report by May 1 of each year to the Joint Legislative Commission on Governmental Operations (Governmental Operations), the chairs of the House and Senate Appropriations Committees, and the chairs of the House and Senate Appropriations Subcommittees on JPS, federal grant funds received or preapproved for receipt. Requires that the report include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the state match expended to receive the funds, and the period to be covered by each grant. Requires reporting on the proposed method for continuing funding of a program at the end of the grant period along with reporting of any information indicating that the state will be requested to provide future funding for a program presently supported by a local grant.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 17.6. Permits DOC to use funds available for the 2007-09 biennium (including lapsed salary funds) to pay \$40 per day as reimbursement to counties for the cost of housing convicted inmates, parolees, and post-release supervisees awaiting transfer to the state prison system. Requires a quarterly DOC report to Governmental Operations, Corrections Oversight, and the chairs of the House and Senate Appropriations Committees, and the chairs of the House and Senate Appropriations Subcommittees on JPS on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

USE OF CLOSED PRISON FACILITIES

SECTION 17.7. Directs DOC, in conjunction with the closing and consolidations of a prison unit, to consult with the county or municipality in which the unit is located, with the elected State and local officials, and with state agencies about the possibility of converting that unit to other use. Permits DOC to also consult with private for-profit or nonprofit firms about converting units for other use. Instructs DOC in proposing future use of each unit to give priority to converting the unit to other criminal justice use. Permits the state to transfer the lease of units to counties,

municipalities, state agencies, or private firms wishing to convert them to other uses. Allows DOC to consider converting some of the units recommended for closing from one security custody level to another. Exempts a prison unit leased to a county under the section for use as a jail for the period of the lease from minimum standards adopted by the Secretary of Health and Human Services under GS 153A-221 for the housing of adult prisoners that would subject the unit to greater standards than those required of a unit of the state prison system.

Requires prior to any transfer or lease of these units that DOC report the terms of the proposed transfer or lease to Governmental Operations and Corrections Oversight. Requires DOC to provide annual reports to Governmental Operations and Corrections Oversight on the conversion of these units to other use and on leases or transfers.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 17.8. Requires that funds appropriated to DOC for operational costs for additional facilities be used for personnel and operating expenses set forth in the approved budget. Prohibits expenditure of funds for other purposes including for additional prison personnel positions until new facilities are within 120 days before projected completion, except that DOC may establish critical positions before 120 days before completion representing no more than 20% of the total estimated number of positions.

ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT

SECTION 17.9. Permits DOC to purchase prison beds for minimum security female inmates from Energy Committed To Offenders, Inc., during the 2007-09 biennium. Requires Energy Committed To Offenders, Inc., to report by February 1 of each year to Governmental Operations the annual cost per inmate and the average daily inmate population compared to bed capacity using DOC methodology.

INMATE MEDICAL COSTS

SECTION 17.10. Authorizes DOC to use funds (including lapsed salary funds) available during the 2007-09 biennium for the purchase of inmate medical services if expenditures are projected to exceed DOC's inmate medical continuation budget. Directs DOC to consult with Governmental Operations before exceeding the continuation budget amount.

PAROLE ELIGIBILITY REPORT

SECTION 17.11. Directs the Post-Release Supervision and Parole Commission, with the assistance of the North Carolina Sentencing and Policy Advisory Commission and the DOC, to analyze the amount of time each inmate who is eligible for parole on or before July 1, 2008, has served compared to the time served by offenders under Structured Sentencing for comparable crimes. Requires that the Commission determine if the person has served more time in custody than the person would have served if sentenced to the maximum sentence under Structured Sentencing. Sets rules for calculating the "maximum sentence".

Requires that the Commission report to Corrections Oversight, the chairs of the House and Senate Appropriations Committees, and the chairs of the House and Senate Appropriations Subcommittees on JPS by April 1, 2008. Mandates that the report include the class of the offense for which each parole-eligible inmate was convicted and whether an inmate had multiple criminal convictions. Requires the Commission to reinstate parole review for each offender who has served more time than he would have under Structured Sentencing. Directs the Commission to report on the number of parole-eligible inmates reconsidered and the number paroled.

FEDERAL GRANT MATCHING FUNDS

SECTION 17.12. Authorizes DOC to use up to \$1.2 million during 2007-08 from available funds (including funds from lapsed salaries) to provide the state match needed to receive federal grant funds. Requires DOC prior to using funds for this purpose to report to the chairs of the House and Senate Appropriations Subcommittees on JPS and to Governmental Operations on the grants to be matched using these funds.

REPORTS ON NONPROFIT PROGRAMS

SECTION 17.13. Provides that funds appropriated to DOC to support the programs of Harriet's House may be used for program operating costs, the purchase of equipment, and the rental of real property to serve women released from prison with children in their custody.

Requires Harriet's House, Summit House, and Women at Risk to report by February 1 of each year to Corrections Oversight, and the chairs of the House and Senate Appropriations Subcommittees on JPS, on the expenditure of state appropriations and on the effectiveness of

the programs, including information on the number of clients served, the number of clients who successfully complete the programs, and the number of clients rearrested within three years of successfully completing the programs. Requires that reports provide financial and program data for the complete fiscal year prior to the year in which the reports are submitted and that they identify all funding sources and amounts.

Requires that Our Children's Place report by February 1, 2008, to Corrections Oversight and the chairs of the House and Senate Appropriations Subcommittees on JPS on the status of the planning, design, and construction of Our Children's Place, the proposed program components and evaluation measures, and the projected number of inmates and their children to be served. Requires that the report provide financial data, including the expenditure of state funds and all funding sources and amounts.

REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL POSITIONING SYSTEMS FOR SEX OFFENDERS

SECTION 17.14. Requires DOC to report by March 1 of each year to the chairs of the House and Senate Appropriations Committees, the chairs of the House and Senate Appropriations Subcommittees on JPS, and Corrections Oversight on:

- (1) The number of sex offenders enrolled on active and passive GPS monitoring.
- (2) The caseloads of probation officers assigned to GPS-monitored sex offenders.
- (3) The number of violations.
- (4) The number of absconders.
- (5) The projected number of offenders to be enrolled by the end of the 2007-08 fiscal year and the end of the 2008-09 fiscal year.
- (6) The total cost of the program, including a per-offender cost.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 17.15. Authorizes DOC to reallocate unspent or unclaimed funds distributed to counties participating in the State-County Criminal Justice Partnership Program to maintain the level of services realized in previous fiscal years. Prohibits DOC from denying funds to a county to support a residential program and a day reporting center if DOC determines that the county has a demonstrated need and a fully developed plan for each type of sanction. Directs DOC to report by March 1 of each year to the chairs of the House and Senate Appropriations Committees, the House and Senate Appropriations Subcommittees on JPS, and Corrections Oversight on the status of the State-County Criminal Justice Partnership Program. Sets out the elements to be included in the report. Requires the Research and Planning Division of DOC to review national best practice programs for community corrections and recommend whether the type of programs currently funded should continue, and whether alternative programs should be funded. Directs the division to report its review by March 1 of each year to the chairs of the House and Senate Appropriations Committees, the House and Senate Appropriations Subcommittees on JPS, and to Corrections Oversight.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 17.16. Requires DOC to report by March 1 of each year to the chairs of the House and Senate Appropriations Subcommittees on JPS and to Corrections Oversight on caseload averages for probation and parole officers including specified data and analysis.

Requires DOC to study probation/parole officer workload at least biannually. Directs that the study include analysis of the type of offenders supervised, the distribution of the probation/parole officers' time by type of activity, the caseload carried by officers, and comparisons to practices in other states. Requires that the study be used to determine whether caseload goals established by the Structured Sentencing Act remain appropriate, based on the nature of the offenders supervised and the time required to supervise them. Requires that DOC report the results of the study and recommendations for any adjustments to caseload goals to the House and Senate Appropriations Subcommittees on JPS by January 1, 2009.

COMMUNITY SERVICE WORK PROGRAM

SECTION 17.17. Requires DOC to report to the chairs of the House and Senate Appropriations Subcommittees on JPS by February 1 of each year on the integration of the Community Service Work Program into the Division of Community Corrections, including DOC's ability to monitor the collection of offender payments from unsupervised offenders sentenced to community service. Also directs DOC to report to the chairs of the House and Senate

Appropriations Subcommittees on JPS by February 1 of each year on the average caseloads of Community Service Work Program coordinators, by district, division, and statewide. Directs that the report include the money collected, the type and value of the work performed, and the number of offenders in the Community Service Work Program, by type of referral.

**PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS**

SECTION 18.1. Authorizes the Department of Juvenile Justice and Delinquency Prevention (DJJDP) to use not more than \$500,000 for 2007-08 and not more than \$500,000 for 2008-09 to administer the Support Our Students (S.O.S.) Program, to provide technical assistance to applicants and local S.O.S. programs, and to evaluate local S.O.S. programs. Permits DOC to contract with other agencies to provide technical assistance.

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 18.2. Requires DJJDP by April 1 each year to submit to Governmental Operations and the Senate and House Appropriations Committees a list of the recipients of grants awarded, or preapproved, from funds appropriated to DJJDP for local Juvenile Crime Prevention Council grants. Mandates that the list include for each recipient the amount of the grant awarded, the membership of the local committee or council administering the award funds, and a description of the local programs that will receive funds. Requires that the list identify programs for which grant funding was eliminated by DJJDP. Instructs that the list and other information about the projects be sent to FRD. Requires each county in which local programs receive Juvenile Crime Prevention Council grant funds to certify annually that these funds do not duplicate or supplant other programs within the county.

REPORTS ON CERTAIN PROGRAMS

SECTION 18.3. Requires Project Challenge North Carolina, Inc., to report to DJJDP and the chairs of the House and Senate Appropriations Subcommittees on JPS by April 1 each year on the operation and effectiveness of its program in providing alternative dispositions and services to juveniles adjudicated delinquent or undisciplined. Specifies data to be included in the report.

Directs the Juvenile Assessment Center to report to the chairs of the House and Senate Appropriations Subcommittees on JPS and to Corrections Oversight on the effectiveness of the Center by April 1 each year. Requires that the report include information on the number of juveniles served and an evaluation of the effectiveness of juvenile assessment plans and services provided as a result of these plans. Directs that the report also include information on the Center's budget and expenditures, including all funding sources.

Requires that Communities in Schools report to DJJDP, the chairs of the House and Senate Appropriations Subcommittees on JPS, Corrections Oversight, and the Joint Legislative Education Oversight Committee by April 1 each year on the operation and effectiveness of its program.

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 18.4. Requires that DJJDP evaluate the Eckerd and Camp Woodson wilderness camp programs, the teen court programs, the program that grants funds to local organizations of the Boys and Girls Clubs, the Support Our Students Program, the Governor's One-on-One Programs, and multipurpose group homes. Specifies the contents of the teen court report and the report on Boys and Girls Clubs.

Directs that in evaluating the programs, the DJJDP consider whether participation in each program reduces juveniles' court involvement. Requires DJJDP to identify whether programs are achieving the goals and objectives of the Juvenile Justice Reform Act, S.L. 1998-202. Requires that DJJDP report the evaluation results to Corrections Oversight, the chairs of the House and Senate Appropriations Committees, and the chairs of the Subcommittees on JPS by March 1 of each year.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 18.5. Authorizes DJJDP to use funds appropriated for the 2007-08 as matching funds for Juvenile Accountability Incentive Block Grants. Requires OSBM and the Governor's Crime Commission to consult with the DJJDP regarding the criteria for awarding federal funds if the state receives these funds. Directs OSBM, the Governor's Crime Commission, and DJJDP to report to the Appropriations Committees of the House and Senate and to Governmental

Operations before allocating federal funds. Requires that report identify the amount of funds for the 2007-2008 fiscal year, the amount of funds anticipated for 2008-09, and the allocation by program and purpose.

REPORTING ON TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 18.6. Directs DJJDP to continue quarterly reporting during 2007-08 to the chairs of the House and Senate Appropriations Subcommittees on JPS and to Corrections Oversight on the implementation of the treatment staffing model at Samarkand and Stonewall Jackson Youth Development Centers, including the latest results of the evaluation of the pilot treatment staffing models at the centers and progress in implementing the model at other youth development centers. Requires the DJJDP to include in the April 1, 2008, report a recommendation on staffing and budget for youth development centers.

PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL PROJECTS

SECTION 18.7. Directs DJJDP to report quarterly during the 2007-09 fiscal biennium, beginning October 1, 2007, to the chairs of the House and Senate Appropriations Subcommittees on JPS and to Corrections Oversight on the DJJDP's progress in planning, design, and constructing of new youth development centers.

Requires the Office of State Construction and the Capital Improvement Section of OSBM to assist DJJDP in preparing the report.

Directs DJJDP and Eckerd Family Youth Alternatives, Inc., to report to the chairs of the House and Senate Appropriations Subcommittees on JPS and to Corrections Oversight by November 1, 2007, on the Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project, which would be located at the Samarkand Youth Development Center and would supplement traditional youth development centers. Requires that the report state whether funds from the GS 143C-4-3 Repairs and Renovations Reserve Account have been approved for the project.

STUDY OF STATE DETENTION CENTERS

SECTION 18.8. Requires DJJDP to study the nine juvenile detention centers operated by the state and specifies the elements of the study. Directs that DJJDP report its findings to Corrections Oversight and to the chairs of the House and Senate Appropriations Subcommittees on JPS by March 1, 2008.

YOUTH DEVELOPMENT CENTER SCHOLARSHIPS

SECTION 18.9. Transfers funds appropriated in S.L. 2003-284 to the North Carolina Community College Foundation for community college scholarships for students released from a Youth Development Center with a high school diploma or GED to DJJDP. Directs that DJJDP administer the community college scholarship program.

PART XIX. DEPARTMENT OF ADMINISTRATION

REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR PERSONS WITH DISABILITIES

SECTION 19.1. Repeals Part 14A of Article 9 of Chapter 143B of the General Statutes, which established the Governor's Advocacy Council for Persons with Disabilities.

SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING

SECTION 19.2. Provides that grant funds allocated from the General Fund to the Department of Administration, the Council for Women, and the Domestic Violence Commission for rape crisis are to be distributed in two equal shares. The North Carolina Coalition Against Sexual Assault and rape crisis centers whose services are confined to rape crisis and sexual assault services are to be allocated the sum of fifty thousand dollars (\$50,000) in each year of the 2007-09 biennium. Organizations that contain rape crisis services in addition to domestic violence services or other support services are to receive an equal share of remaining funds in each year of the 2007-09 biennium.

PART XX. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 20.1. Provides that during the 2007-09 biennium, receipts generated by the collection of inadvertent overpayments by state agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously

paid excise taxes, and related errors are to be placed into a special reserve account. For the biennium, \$500,000 is to be transferred from that account to the Office of the State Controller for data processing, debt collection, or e-commerce costs. The remainder is to be available in the General Fund for appropriation by the General Assembly.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES

GRASSROOTS ARTS PROGRAM FUNDING

SECTION 21.1. Amends GS 143B-122, which now provides that funds available in the Grassroots Arts Program are to be distributed to counties on a per capita basis, to provide that 80% of the funds are to be distributed per capita and 20% to the counties pro rata. Ratifies, validates, and confirms any funds distributed under the program from 2000 to 2007.

PART XXII. OFFICE OF THE GOVERNOR

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND

SECTION 22.1. Directs the North Carolina Housing Finance Agency to continue and develop a pilot program of assistance to workers who are in need of assistance to avoid losing their homes to foreclosure. The program is to include all counties that have greater than 7% unemployment. Under the program, the agency is to make loans, provide counseling services, and develop other methods of assistance. Once a homeowner has qualified for assistance, the agency is to notify the mortgage holder and the mortgage holder may not then commence any legal action, including foreclosure. The agency is to be exempt from the rulemaking requirements of the Administrative Procedures Act for the purpose of rules for this pilot program. Applicable to the 2007-08 only.

PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 23.1. Appropriates from the General Fund to a Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State Budget and Management (OSBM) \$1 million for 2007-08, to be distributed to each military installation on a per capita basis and used only for community services and other expenditures to improve quality of life programs for military members and their families in North Carolina.

LICENSING BOARD REPORTING REQUIREMENT

SECTION 23.2. Amends GS 93B-2(b) to add OSBM to the list of persons and agencies to which occupational licensing boards must submit financial reports.

STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE AGENCIES

SECTION 23.3. Directs OSBM, in consultation with the Office of State Personnel and the Office of State Controller, to study the Workers' Compensation Program in state agencies and institutions to determine whether the third-party administration of the program continues to be the most effective mode of administration; whether the current method of funding is still the most effective method; whether excess coverage policies are needed; and whether other operational inefficiencies may exist. OSBM is to report to the Joint Legislative Commission on Governmental Operations (Governmental Operations) and the Fiscal Research Division (FRD) by March 1, 2008.

PART XXIV. DEPARTMENT OF REVENUE

WHITE GOODS DISPOSAL TAX PROGRAM

SECTION 24.1. Amends GS 105-187.24 to increase from \$225,000 per year to \$425,000 per year the amount of the taxes collected through the White Good Disposal Tax Program that may be retained by the Department of Revenue for its collection costs.

SCRAP TIRE DISPOSAL TAX PROGRAM

SECTION 24.2. Amends GS 105-187.19(a) to increase from \$225,000 per year to \$425,000 per year the amount of the taxes collected through the Scrap Tire Disposal Tax Program that may be retained by the Department of Revenue for its collection costs.

PART XXV. STATE BOARD OF ELECTIONS

STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE

SECTION 25.1. Authorizes the State Board of Elections to use funds in the Maintenance of Effort Reserve as follows: (1) \$1,440,000 nonrecurring in 2007-08 for ballot printing for the 2008 first primary; (2) \$840,000 nonrecurring in 2007-08 for ballot printing for the 2008 second primary if a federal election is on the ballot; (3) \$1,260,000 nonrecurring in 2008-09 for ballot printing for the 2008 general election; (4) \$1,500,000 nonrecurring in 2007-08 and \$500,000 nonrecurring in 2008-09 to rebuild the State Elections Information Management System (SEIMS) (See 2007 House Bill 1267); (5) \$100,000 recurring in 2007-08 for the required training for all county boards of elections staff on voting equipment operating procedures; (6) \$427,500 recurring in 2007-08 to centralize ballot coding in North Carolina to provide oversight, ensure accuracy of election preparation, and reduce errors with ballot styles; and (7) \$150,000 recurring in 2007-08 to hire 20 additional election technicians across the state to deal with technical problems that arise on a 2008 election day in which a federal election is on the ballot.

Authorizes the board to use funds in the Election Fund as follows: (1) \$2,525,000 nonrecurring in 2007-08 and \$2,525,000 nonrecurring in 2008-2009 for maintenance performed on voting equipment; and (2) \$750,000 nonrecurring in 2007-08 and \$1,750,000 nonrecurring in 2008-09 for additional one-stop absentee voting (early voting) sites for the 2008 first primary and general election if a federal election is on the ballot.

PART XXVI. DEPARTMENT OF THE STATE TREASURER

FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; NO CONTRACTING FOR CERTAIN FUNCTIONS; PROHIBITION ON USE OF LAPSED SALARIES

SECTION 26.1. Directs the Department of State Treasurer, Retirement Systems Division, to use \$1.2 million in 2007-08 to contract for the auditing of state employee service records. The Division is to report on the number of state employee service records verified to Governmental Operations and FRD by April 30, 2008. Prohibits the Division from (1) contracting for research, policy analysis, presentations, organizational development, meeting facilitation, team building, or development of plans or newsletters and (2) using lapsed salary savings for any purpose.

PART XXVII. DEPARTMENT OF TRANSPORTATION

ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION PLATES

SECTION 27.1. Prohibits the Division of Motor Vehicles (DMV) from opening drivers license and vehicle registration One-Stop Shops until the General Assembly has considered and appropriated funds for the purpose of One-Stop Shops. Directs the Department of Transportation (DOT) to (1) develop a business plan for combined function centers, a detailed budget for each proposed location, and any identified savings gleaned from the combined services and (2) conduct an analysis on the anticipated number of transactions and the impact to independent tag agents in those areas. Report is due to the Joint Legislative Transportation Oversight Committee, the Joint Appropriations Subcommittee for Transportation, and FRD by March 15, 2008.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 27.2. Certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2009-2010	\$1,846.0 million
For Fiscal Year 2010-2011	\$1,857.9 million
For Fiscal Year 2011-2012	\$1,869.0 million
For Fiscal Year 2012-2013	\$1,873.9 million

Certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2009-2010	\$1,174.4 million
For Fiscal Year 2010-2011	\$1,204.9 million
For Fiscal Year 2011-2012	\$1,236.4 million
For Fiscal Year 2012-2013	\$1,276.1 million

FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS

SECTION 27.3. Directs DOT to allocate \$14 million in 2007-08 equally among the 14 highway divisions for economic development transportation projects recommended by the member of the board representing the division in which the project is to be constructed, in consultation with the division engineer and approved by the board. Provides that funds in each division not needed for economic development projects are to be used on spot safety needs to enhance safety, reduce congestion, improve traffic flow, reduce accidents, and for system preservation. Provides that funds not identified for economic development and spot safety projects before December 31, 2007, are to be used on Transportation Improvement Program projects. Prohibits the Secretary of Transportation from preventing or delaying the implementation of any projects approved by the board pursuant to this section.

CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION DIVISION

SECTION 27.4. Authorizes DOT, Public Transportation Division, to consolidate its rural funding programs for vehicles, technology, and facilities into one capital program and to transfer funding from that consolidated capital program to operating programs, where it is effective to leverage federal funds to meet the capital needs of rural transportation systems. Directs DOT to report on the use of funds and effectiveness of these provisions to the Joint Appropriations Subcommittee on Transportation and FRD by March 15, 2008.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 27.5. Allocates \$21 million in DOT funds, divided equally among the 14 highway divisions, for construction projects recommended by the member of the Board of Transportation representing the division in which the project is to be constructed in consultation with the Division Engineer and approved by the board. Allocates \$15 million in each year of the biennium for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects, including pedestrian walkways that enhance highway safety. These projects must be approved by the Secretary of Transportation. These funds are not subject to the county allocation formulas in GS 136-44.5(b) and (c) or to GS 136-44.7. DOT is to report to the members of the General Assembly on the projects in each member's district before board action. DOT is to make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the FRD.

FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES

SECTION 27.6. Authorizes DOT to use up to 0.75% of its appropriated funds repair, renovation, or replacement of its field facilities that fail to meet safety standards or that are obsolete for current or future use. Requires DOT to submit its proposed budget for these expenditures each year to the Senate Appropriations Subcommittee on Transportation, the House of Representatives Appropriations Subcommittee on Transportation, and the Joint Legislative Transportation Oversight Committee.

MODIFY GLOBAL TRANSPARK DEBT

SECTION 27.7. Amends GS 147-69.2 to extend until October 1, 2009, the maximum maturity date of an Escheat Fund investment in obligations of the North Carolina Global TransPark Authority.

DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT COMPLIANCE

SECTION 27.8. Directs DOT to report on its expenditure plan for funds appropriated for the Secure ID and Card Production System, including costs associated with complying with the federal REAL ID Act of 2005. The report is to go to the Joint Legislative Transportation Oversight Committee and the Joint Appropriations Subcommittee for Transportation by May 1, 2008.

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 27.9. Authorizes DOT to continue the productivity pilot programs in the road oil and bridge inspection units and to expend up to 0.50% of the budget allocation for these programs for employee incentive payments to maintain the increased efficiency and productivity under these programs. Authorizes DOT to continue any additional pilot programs testing incentive pay for employees as a means of increasing and maintaining efficiency and productivity and to use up to 0.50% of the budget allocation for these programs for employee incentive payments. Requires that incentive payments be based on quantifiable measures and production schedules determined before the implementation of the pilot programs.

STUDY DEPARTMENT OF TRANSPORTATION'S BUDGET PROCESS

SECTION 27.10. Authorizes the Joint Legislative Transportation Oversight Committee to study DOT's budgeting process. Directs report of findings and recommendations to the 2008 Regular Session of the 2007 General Assembly by April 1, 2008.

DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM

SECTION 27.11. Authorizes DMV to expend \$183,199 for 2007-08 and \$99,000 for 2008-09 to recall vehicle license plates. Directs DMV to develop a schedule by which approximately 94,000 of the oldest license plates are recalled annually for the next five years. Announces the intention of the General Assembly to appropriate \$99,000 in recurring funds annually for a continuous license plate recall program. Directs DMV to report to the Joint Appropriations Subcommittee on Transportation and the FRD by May 1, 2008, on the progress of the vehicle license plate recall schedule and the implementation of the continuous license plate recall program.

PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE HIGHWAY TRUST FUND TO THE GENERAL FUND AND OTHER STATE AGENCIES

SECTION 27.12. Announces the intent of the General Assembly to phase out funds transfers from the Highway Fund and the Highway Trust Fund to the General Fund and to other State agencies over a five-year period of time, to be eliminated completely effective July 1, 2013.

PART XXIII SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 28.1. Amends GS 147-11(a) to set the salary of the Governor at \$133,895 and members of the Council of State at \$118,171.

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 28.2. Sets the salaries of nonelected department heads at \$115,453 for the 2007-08 and 2008-09 fiscal years.

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.3. Sets the salaries for the 2007-08 and 2008-09 fiscal years as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chair, Alcoholic Beverage Control Commission	\$ 105,083
State Controller	147,064
Commissioner of Motor Vehicles	105,083
Commissioner of Banks	118,171
Chair, Employment Security Commission	133,161
State Personnel Director	115,453
Chair, Parole Commission	95,953
Members of the Parole Commission	44,293
Chair, Utilities Commission	131,605
Members of the Utilities Commission	118,171
Executive Director, Agency for Public Telecommunications	88,588
Director, Museum of Art	107,676
Executive Director, North Carolina Agricultural Finance Authority	102,284
State Chief Information Officer	146,975
Director, Office of Administrative Hearings	103,910

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.4. Sets the annual salaries for judicial branch officials for the 2007-08 and 2008-09 fiscal years as follows:

<u>Judicial Branch Officials</u>	<u>Annual Salary</u>
Chief Justice, Supreme Court	\$ 137,160
Associate Justice, Supreme Court	133,576
Chief Judge, Court of Appeals	130,236
Judge, Court of Appeals	128,011

Judge, Senior Regular Resident Superior Court	124,532
Judge, Superior Court	121,053
Chief Judge, District Court	109,923
Judge, District Court	106,445
District Attorney	114,437
Administrative Officer of the Courts	121,567
Assistant Administrative Officer of the Courts	111,040
Public Defender	114,437

Requires the minimum salary of any assistant district attorney or assistant public defender to be set at \$35,561 and provides that average salaries of those positions can not exceed \$68,051 in each district. Also increases by 2.5% the salaries of permanent full-time and permanent part-time Judicial Department employees whose salaries are not itemized above.

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 28.5. 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:

Population	Annual Salary
Less than 100,000	<u>\$79,040</u>
100,000 to 149,999	<u>88,695</u>
150,000 to 249,999	<u>98,353</u>
250,000 and above	<u>108,012.</u>

Removes the provision that the salary schedule is intended to represent a listed approximate percentage of the chief district court judge's salary.

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 28.6. Amends GS 7A-102(c1) to establish salary ranges for assistant clerks and head bookkeepers from \$30,673 to \$52,532 and deputy clerks from \$26,402 to \$40,859.

MAGISTRATES' SALARY INCREASES

SECTION 28.7. Amends GS 7A-171.1(a) to establish salary ranges for full-time magistrates from \$31,078 to \$52,984 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

SECTION 28.8. Amends GS 120-37(c) to establish the salary of principal clerks at \$99,837.

SERGEANT-AT-ARMS AND READING CLERKS/ SALARY INCREASES

SECTION 28.9. Amends GS120-37(b) to set the salary of the sergeant-at-arms and reading clerk at \$354 per week.

LEGISLATIVE EMPLOYEES/ SALARY INCREASES

SECTION 28.10. Requires the Legislative Services Officer to increase the salaries of nonelected employees of the General Assembly by 2.5% and provides that nothing in the act limits any of the provisions of GS 120-32 (Legislative Services Commission Duties).

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 28.11. Requires the Director of the Budget to transfer from the Reserve for Compensation Increases, for fiscal years 2007-08 and 2008-09, to the North Carolina Community Colleges System Office funds necessary to provide (1) an annual salary increase of 2.5% for all community college employees supported by state funds, and (2) an additional annual salary increase of 2.5% for Community College faculty and professional staff supported by state funds.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12. Directs the Director of the Budget to transfer from the Reserve for Compensation Increases, for fiscal years 2007-08 and 2008-09, to the UNC Board of Governors, funds necessary to provide an annual salary increase of 2.5% for all employees of the University of North Carolina, and employees other than teachers of the NC School of Science and Mathematics whose positions are supported by state funds and whose salaries are exempt from the State Personnel Act (EPA).

Also provides for an average annual salary increase of 5% or \$1,240, whichever is greater, for all EPA teaching employees of the NC School of Science and Mathematics supported by state funds. 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.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 28.13. Requires funds in the Reserve for Compensation Increases to 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.

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 28.14. 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 Fund, by 2.5%. Also requires a 2.5% 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 2.5%. Authorizes the Director of the Budget to allocate sufficient funds to allow the salary increases provided for above from special operating funds or from other sources of the employing agency, if the employing agency elects to make the necessary funds available. Also authorizes state agencies and departments to increase by 2.5% 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

SECTION 28.15. Provides that salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from other sources are increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the respective fund. States that the granting of the salary increases under the act does not affect the status of eligibility for salary increments for which employees may be eligible. Provides that salary increases do not apply to persons separated from state service due to resignation, dismissal, reduction in force, death, or retirement before July 1, 2007. Directs the Director of the Budget to transfer from the Reserve for Compensation Increases for 2007-08 all funds necessary for the salary increases provided by the act, including funds for the employer's retirement and social security contributions. States that nothing in the act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases. Also gives permanent full-time employees who work a nine-, ten-, or eleven-month work year schedule a 2.5% annual salary increase.

COMPENSATION BONUS FOR FISCAL YEAR 2007-2008

SECTION 28.16. Awards a one-time \$400 compensation bonus, to be adjusted pro rata for permanent part-time employees, for any person (i) whose salary is set pursuant to the State Personnel Act or under this act and (ii) who is employed in a state-funded position on July 1, 2007. Requires the Director of the Budget to transfer funds from the Reserve for Compensation Increases to implement this section. Requires that the bonus not be administered under GS 126-7 (compensation of state employees) and that the bonus be awarded to eligible employees without regard to an employee's placement within the salary range. Excludes from the bonus any (1) person whose salary is set under Section 28.1, 28.2, 28.3, 28.4.(a), 28.5, or 28.11.(b) of this act, and (2) any public school or state employee paid on the Teacher Salary Schedule or the School Based Administrator Salary Schedule.

CERTAIN SALARIES SET BY GENERAL ASSEMBLY

SECTION 28.17. Amends GS 7A-65(a) to provide that the annual salary of district attorneys is as provided in the current operations appropriations act (under current law, the salary is the midpoint between the salary of a senior resident superior court judge and the salary of a chief district court judge). Also amends GS 7A-751(a) to provide that the Chief Administrative Law Judge's salary is the amount fixed by the General Assembly in the current operations appropriations act (under current law, the salary is the same as that fixed for district court judges).

SALARY ADJUSTMENT FUND

SECTION 28.18. Authorizes any remaining appropriations in the General Fund Reserve for Compensation Increases or in the Highway Fund Reserves and Transfers authorized for employee salary increases but not required for that purpose to be used to supplement the respective Salary Adjustment Fund to support salary adjustments for positions supported by the General Fund or Highway Fund. Requires funds appropriated or transferred to one of these Salary Adjustment Funds to be used to fund agency requests for specified changes include changes in response to changes in labor market rates, and reallocations of positions to higher level job classifications to compensate employees for more difficult duties at competitive salaries. Also requires funds to be used for salary adjustments that are in compliance with State Personnel Commission policies. Requires funding to first be provided to the earliest actions approved on or before July 1, 2007, by the State Personnel Commission or the Office of State Personnel and not for other purposes. Requires the Director of the Budget to consult with Governmental Operations before transferring any salary adjustment funds for any state agency. Allows the Director of the Budget to transfer: (1) amounts required to support salary adjustments authorized by this section with the oldest of the pending adjustments to be funded first from the General Fund Salary Adjustment Fund to the General Fund budget codes; and (2) amounts required to support salary adjustments authorized by this section from the Highway Fund Salary Adjustment Fund to Highway Fund budget codes. Provides that the Judicial Department is eligible for the funding authorized. Also provides that employees subject to the State Personnel Act in the UNC System are eligible for funding.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 28.19. Requires mandatory employer salary-related contributions for employees whose salaries are paid from receipts to be paid from the same source as the employees' salary or, if paid in part from the General Fund or Highway Fund, to be paid from the General Fund or Highway Fund in the same proportion. Specifies the state's employer contribution rates and amounts for benefits. Also sets the maximum annual employer contributions to the Teachers' and State Employee's Comprehensive Major Medical Plan's Indemnity Plan and the Comprehensive Major Medical Plan's Preferred Provider Options Program.

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

SECTION 28.20. Amends GS 135-5 (retirement system for teachers and state employees), GS 135-65 (judicial retirement act), GS 120-4.22A (legislative retirement system), and GS 128-27 (retirement system for counties, cities, and towns) to adopt retirement allowance increases of 2%, effective July 1, 2007.

INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION 28.21. Amends GS 58-86-55 by raising the amount of the monthly pension of retired and disabled members of the NC Firemen's and Rescue Squad Workers' Pension Fund from \$165 to \$167. Also provides that a members whose residence is annexed by a city or whose department is closed because of an annexation by a city under Part 2 or Part 3 of Article 4A, extension of corporate limits, (was, Article 4, corporate limits) of GS Chapter 160A may be allowed to continue making a monthly \$10 contribution to the fund until they have made contributions for 240 months.

STATE HEALTH PLAN CHANGES

SECTION 28.22. Requires the Teachers' and State Employees' Comprehensive Major Medical Plan (Plan) to provide for an annual open enrollment period in the Indemnity Plan and Optional PPO program for the July 1, 2007, to June 30, 2008, Plan year. Also provides that Plan member changes to coverage type or selection of benefit coverage under the Indemnity Plan or Optional PPO program during open enrollment become effective October 1, 2007. Requires the Plan to provide Plan members with sufficient information on premiums, cost-sharing, and benefits at least 45 days before October 1, 2007. Amends GS 135-40.1(2), GS 135-40.4, and GS 135-40.6 to increase the deductible from \$350 to \$450 for each fiscal year subject to an aggregate maximum of \$1,350 (was \$1,050) per employee and child or employee and family coverage contract in any fiscal year. Amends GS 135-40.5(g) to increase the copayment for preferred

branded prescriptions from \$25 to \$30. Amends GS 135-40.8(c3) to provide that the plan does not pay for the first \$25 (was \$15) of allowable charges for each home, office, or skilled nursing facility visit.

RETIREE HEALTH BENEFIT FUND

SECTION 28.23. Amends GS 135-7(f) to allow Retiree Health Benefit Fund assets to be used for reasonable expenses to administer the Fund.

PART XXIX. CAPITAL APPROPRIATIONS.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 29.1. Provides that the appropriations made by the 2007 General Assembly for capital improvements are for constructing, repairing, or renovating state buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2. Appropriates the following amounts from the General Fund for 2007-08 for capital improvements:

Capital Improvements – General Fund	2007-2008
Department of Administration	
NC Court of Appeals Building Renovation	\$10,498,000
Deerfield Cottage Renovation	3,556,000
State Highway Patrol Training Facility Planning Funds	1,721,000
State Capital Visitors Center / Public Plaza / Underground	
Parking Facility Planning Funds	627,281
Department of Agriculture and Consumer Services	
Veterinary Laboratory System Study and Planning Funds	1,250,000
Western Agricultural Center Facilities – Phase I	5,000,000
Eastern Agricultural Center Facilities	3,000,000
Oxford Research Complex	5,000,000
Department of Commerce	
NC Ports Improvements	7,500,000
Department of Correction	
Scotland Correctional Institution Minimum Security	
Addition Planning Funds	1,033,088
Bertie Correctional Institution Medium Security Addition	
Planning Funds	1,551,950
Lanesboro Correctional Institution Medium Security	
Addition Planning Funds	547,839
Tabor Correctional Institution Minimum Security Addition	
Planning Funds	364,680
Department of Crime Control and Public Safety	
Gastonia National Guard Armory Rehabilitation	527,100
Statewide Department Master Plan – Phase I	280,294
Camp Butner Land Buffers – Phase I	117,800
Department of Cultural Resources	
Charlotte Hawkins Brown Museum Renovations	7,842,200
NC Museum of History Chronology Exhibit – Phase I	6,322,900
Horne Creek Farm Visitors Center	442,100
Department of Natural and Environmental Resources	
Division of Water Quality Modular Office	252,200
NC Zoo Horticulture Storage Facility	450,000
NC Zoo Plains Barns and Paddocks	3,006,000

Division of Forestry Resources Ashe County Headquarters	708,000
Division of Forestry Resources Buncombe County Headquarters	462,300
Water Resources Development Projects	18,563,000
Department of Justice	
State Bureau of Investigation Garner Road Facilities Addition	1,792,006
Western Justice Academy Firing Range	1,974,103
State Bureau of Investigation Operations Wing Planning Funds	1,300,000
Department of Juvenile Justice and Delinquency Prevention	
Dillon Youth Development Center Maintenance Building	375,000
Dillon Youth Development Center Mobile Office	200,000
Information Technology Services	
Secondary Data Center Equipment	7,000,000
University of North Carolina System	
University of North Carolina at Asheville – Rhoades Hall and Rhoades Tower Renovation	8,687,000
Winston-Salem State University – Hill Hall Rehabilitation	7,385,200
Winston-Salem State University – Diggs Gallery Renovation	438,000
Winston-Salem State University – Land Acquisition	4,000,000
Appalachian State University College of Education Building Planning Funds	500,000
East Carolina University – School of Dentistry Planning Funds	2,500,000
Elizabeth City State University – Education Building Planning Funds	994,000
North Carolina Agricultural and Technical University and University of North Carolina Greensboro – Nanoscience and Nano-engineering Building Planning Funds	2,485,000
North Carolina Central University – School of Nursing Planning Funds	1,136,000
North Carolina School of Science and Math – Discovery Center Planning Funds	3,337,000
University of North Carolina at Chapel Hill – School of Dentistry Planning Funds	2,500,000
University of North Carolina at Charlotte – Research Facilities Phase II Planning Funds	3,340,000
Western Carolina University – School of Health and Gerontology Planning Funds	600,000
Winston-Salem State University – Science and General Office Building Planning Funds	1,351,000
 TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	
\$132,518,041	

Appropriates \$44 million for 2007-08 and \$75,608,225 for 2008-09 from the General Fund to the University of North Carolina for the design and construction of the Genomics Science Building at UNC-Chapel Hill.

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 29.3. Directs the Department of Environment and Natural Resources (DENR) to allocate funds appropriated for water resources development projects to the following projects:

Name of Project	2007-2008
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(1)	Wilmington Harbor Deepening	\$4,333,000
(2)	Manteo (Shallowbag) Bay	350,000
(3)	Wilmington Harbor Maintenance	2,000,000
(4)	Bogue Banks Shore Protection Study	125,000
(5)	B. Everett Jordan Lake Water Supply Storage	100,000
(6)	Princeville Flood Control	98,000
(7)	Aquatic Plant Control, Statewide and Lake Gaston	200,000
(8)	Belhaven Harbor Feasibility	120,000
(9)	John H. Kerr Dam & Reservoir	520,000
(10)	Currituck Sound Environmental Restoration Study	350,000
(11)	Neuse River Basin Study	554,000
(12)	Surf City/North Topsail Beach Study	50,000
(13)	West Onslow Beach (Topsail Beach) Study	43,000
(14)	Dare County Beaches (Bodie Island)	500,000
(15)	North Carolina Beach and Inlet Management Plan	250,000
(16)	Dredging Contingency Fund	2,500,000
(17)	State – Local Projects	2,400,000
(18)	Black River Restoration – Pender County	100,000
(19)	Western N.C. Hurricane Damage Stream Restoration	1,200,000
(20)	Planning Assistance to Communities	75,000
(21)	Concord Stream Restoration – Cabarrus County	170,000
(22)	Southern Shores Canal Dredging Phase 2	800,000
(23)	Ararat River Restoration	550,000
(24)	Town of Williamston Drainage Improvement	600,000
(25)	Little Sugar Creek Stream Restoration Phase 7	575,000
TOTAL		\$18,563,000

Authorizes DENR to adjust the allocations among projects as needed and to use any extra funds availability to fund specified studies and projects. Requires DENR to make semiannual reports on the use of the funds to Governmental Operations, the FRD, and OSBM. Specifies information to be included in the reports.

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 29.4. Requires the Director of the Budget to approve the elements of the method of financing before the award of construction contracts for those projects to be financed in whole or in part with self-liquidating appropriations. If the Director of the Budget approves the method of financing a project, the Director must report the approval to Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds are not subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings must be reviewed and approved in advance by the Director of the Budget.

Requires capital improvement projects authorized by the 2007 General Assembly to be completed within the limits of the amounts of the direct or self-liquidating appropriations provided. Capital improvement projects authorized by the 2007 General Assembly for the design phase only must be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 29.5. Of the funds in the Reserve for Repairs and Renovations for 2007-08, allocates 46% to the UNC Board of Governors and 54% to OSBM. Authorizes the Board of Governors to allocate funds for the repair and renovation of facilities not supported from the General Fund if sufficient funds are not available from other sources and conditions warrant

General Fund assistance. Directs UNC and OSBM to consult with Governmental Operations before allocating the funds. Requires OSBM and UNC General Administration to study the allocation of funds in the Reserve for Repairs and Renovations and recommend changes to the current allocation to various legislative committees and FRD by April 1, 2008.

PLANT CONSERVATION PROGRAM FUNDS

SECTION 29.6. Transfers \$30,000 for 2007-08 from funds deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services (DACS) to be used for its plant conservation program for the costs incidental to the acquisition of land, and for the management of the department's plant conservation program preserves.

STATE FAIRGROUNDS IMPROVEMENT FUNDS

SECTION 29.7. From funds received from the sale of utility easements on property allocated to DACS in the vicinity of the State Fairgrounds in Raleigh that are deposited in a capital improvement account to the credit of DACS transfers \$975,000 for 2007-08 to DACS to be used for planning and capital improvements to property at the State Fairgrounds.

EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS

SECTION 29.8. Transfers funds from the sale of timber harvested on the Eastern North Carolina Agricultural Center at Williamston from DACS' timber sales capital improvement account as the funds become available to be used for 2007-08 by DACS for capital improvements to the grounds and facilities at the Eastern North Carolina Agricultural Center.

TIME WARNER CABLE LEASE PROCEEDS

SECTION 29.9. Transfers the net proceeds received by DENR, Division of Forest Resources, from Time Warner, Inc., for the lease of property located at 2600 Howard Road in Raleigh to DENR for deposit into a capital improvement account. Allows funds in the account for the 2007-08 fiscal year to be used to construct an equipment storage building and make related improvements.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.10. Effective when the act becomes law, authorizes the state, with the prior approval of the State Treasurer and the Council of State, to issue or incur special indebtedness in the maximum aggregate principal amounts provided below in order to provide funds to the state to be used, together with other available funds, to pay the capital facility costs of the projects described below.

Amount	Project
\$45,167,000	Completing a new educational building at the University of North Carolina at Greensboro
\$22,587,000	A new Science and Technology Complex at Fayetteville State University
\$25,787,000	A new general classroom building at North Carolina Agricultural and Technical State University
\$24,920,000	Completing a new library at the North Carolina School of the Arts
\$38,000,000	Completing the Randall B. Terry Companion Animal Hospital at North Carolina State University
\$19,000,000	Completing a new residence hall at the University of North Carolina at Pembroke
\$34,525,000	Completing a new teaching lab at the University of North Carolina at Wilmington
\$18,708,000	Completing a new student activities center at Winston-Salem State University
\$39,763,100	Completing a new healthcare facility to be located at the North Carolina Correctional Institution for Women
\$13,191,300	A medium security facility at the Alexander Correctional Institution
\$19,816,500	A medium security facility at the Scotland Correctional Institution
\$35,000,000	A new education and visitors center at Tryon Palace Historic Sites and Gardens
\$46,650,000	A new office building for the Department of Environment and Natural Resources located in downtown Raleigh
\$37,000,000	An expansion to the North Carolina Museum of Natural Sciences called the Nature Research Center

\$18,600,000 New parking facilities in downtown Raleigh
\$10,000,000 A warehouse expansion for the Alcoholic Beverage Control Commission.
Amends GS 18B-208(b) to require the North Carolina Alcoholic Beverage Control Commission to fix the level of the bailment surcharges at an amount calculated to cover the commission's operating expense and the retirement of any bonded indebtedness (was, retirement of bond) issues for the construction of a commission warehouse and offices. Makes conforming changes.

PART XXX. FEES

EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE

SECTION 30.1. Revises GS 113A-54.2(a) to delete the Sedimentation Control Commission's authority to establish a fee schedule for erosion and sedimentation control plans and replaces the current application fee of up to \$50 with fee of \$65. Applies to applications submitted on or after July 1, 2007.

MINING PERMIT APPLICATION FEES

SECTION 30.2. Revises GS 74-54.1 to delete the Mining Commission's authority to establish a fee schedule for processing of permit applications, renewals, and modifications and specifies a fee schedule based on acreage of land involved. Applies to applications submitted on or after July 1, 2007.

WATER QUALITY PERMIT FEES

SECTION 30.3. Revises GS 143-215.3D(a) to increase the fee for major individual NPDES permits from \$2,865 to \$3,440, for minor individual NPDES permits from \$715 to \$860, for single family residence permits from \$50 to \$60, for stormwater and wastewater discharge general permits from \$80 to \$100, for recycle systems permits from \$300 to \$360, for major nondischarge permits from \$1,090 to \$1,310, and for minor discharge permits from \$675 to \$810. Revises GS 143-215.3D(e) to increase fee for sewer system extension permits from \$400 to \$480, for state stormwater permits from \$420 to \$505, for major water quality certifications from \$475 to \$570, for minor water quality certifications from \$200 to \$240, and for permits for land application of petroleum contaminated soils from \$400 to \$480. Revises GS 143-215.10G(a) to increase the annual permit fee for animal waste management systems from \$50 to \$60, from \$150 to \$180, and from \$300 to \$360 depending on the capacity of the system measured in pounds of steady state live weight. Revises GS 143-215.10G(a1) to increase the annual permit fee for a dry litter poultry facility from \$50 to \$60, \$150 to \$180, and \$300 to \$360 depending on capacity of system measured in number of chickens and turkeys. Revises GS 90A-42 to increase from \$35 to \$50 the annual renewal fee for water pollution control system operators.

CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.4. Revises GS 131E-177(9) to delete the authority of the Department of Health and Human Services to set the application fee for certificates of need. Revises GS 131E-182(c) to set the application fee at \$5,000, plus an amount equal to 0.3% of the amount of the capital expenditure proposed in the application that exceeds \$1 million, not to exceed a total fee of \$50,000. Applies to applications submitted on or after July 1, 2007.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.5. Revises GS 131E-267 to increase the maximum fee for review of a health care facility construction project by the Department of Health and Human Services from \$25,000 to \$200,000 for any single project. Provides that first \$712,626 in fees collected remains with Division of Facility Services, with any additional fees credited to the General Fund as nontax revenue intended to offset appropriations for this purpose. Deletes the current fee schedule, which for each type of project (e.g., hospital project) charged a flat fee plus a single rate per square foot of project space (e.g., \$.20 per square foot of project space), and replaces it with a schedule charging a flat fee plus a variable rate per square foot based on project space (e.g., range is from \$.25 per square foot for hospital projects up to 5,000 square feet to \$.75 per square foot for hospital projects over 20,000 square feet). Also increases project fees for residential projects. Applies to applications for review submitted on or after July 1, 2007.

CHANGE CORPORATE ANNUAL REPORT FEES

SECTION 30.6. Revises 55-1-22(a) to increase the paper annual report fee from \$20 to \$25 and to impose an electronic annual report fee of \$18. Applies to annual reports filed on or after July 1, 2007.

PART XXXI. TAX LAW CHANGES

IRC UPDATE

SECTION 31.1. Identical to H 458, filed 3/1/07.

EXTEND STATE SALES TAX RATE FOR TWO YEARS

SECTION 31.2. Delays from July 1, 2007, until July 1, 2009, the reduction in the general state sales tax rate from 4.25% to 4%.

EXTEND UPPER INCOME TAX RATE THROUGH 2009

SECTION 31.3. Delays from January 1, 2008, to January 1, 2010, the sunset of the 8% income tax rate, which applies to individuals with state taxable income above \$120,000 and married couples filing jointly with income above \$200,000. The tax rate on these taxpayers was scheduled to be reduced for the 2008 tax year from 8% to 7.75%, the same rate that applies to individuals with state taxable income above \$60,000 and married couples filing jointly with income above \$100,000.

EARNED INCOME TAX CREDIT

SECTION 31.4. Effective beginning with the 2008 tax year, enacts new GS 105-151.31 to allow a credit against NC individual income tax equal to 5% of the amount of the earned income tax credit that the taxpayer is eligible for on his or her federal income tax return. If this credit exceeds the amount of the tax that the taxpayer would otherwise owe, then the taxpayer is entitled to a refund. The credit sunsets beginning with the 2013 tax year. Makes a conforming amendment to GS 105-160.3(b) (income tax on estates and trusts).

REENACT LONG-TERM CARE CREDIT

SECTION 31.5. Reenacts GS 105-151.28 (individual income tax credit for a percentage of long-term care insurance premiums paid) for taxable years beginning on or after January 1, 2007. Limits the credit to taxpayers with adjusted gross income below specified amounts. Expands the class of dependents for whom the taxpayer may claim a credit for insurance coverage. Makes conforming change by reenacting GS 105-160.3(b)(7) (estates and trusts).

ADOPTION TAX CREDIT

SECTION 31.6. Enacts a new GS 105-151.32 to allow an individual income tax credit equal to 50% of the amount of the federal adoption tax credit, effective beginning with the 2007 tax year and sunset beginning with the 2013 tax year. Allows any unused portion of the credit to be carried forward for five years. Makes a conforming change to GS 105-160.3(b) (estates and trusts).

PRIVILEGE TAX ON SOFTWARE PUBLISHERS' MACHINERY AND EQUIPMENT

SECTION 31.7. Effective July 1, 2007, amends GS 105-187.51B to impose a privilege tax on software publishing companies purchasing equipment, an attachment, or repair parts for equipment meeting specified requirements concerning capitalization, use for research and development, and consideration as mill machinery. The tax rate is 1% of the sales price, with a maximum of \$80 per item. Items subject to the privilege tax are exempt from sales tax, which would otherwise be 6.75% on these items.

ENHANCE TAX CREDIT FOR RESEARCH AND DEVELOPMENT EXPENDITURES

SECTION 31.8. Effective beginning with the 2007 tax year, amends GS 105-129.55 (research and development tax credit) to (1) increase the credit percentage for small business and for low-tier research from 3% to 3.25%, (2) increase the credit percentages for other research from 1%, 2%, and 3% to 1.25%, 2.25%, and 3.25%, respectively, and (3) increase the credit percentage for NC universities from 15% to 20%.

MODIFY TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL FACILITIES

SECTION 31.9. GS 105-129.16D(b1) provides an income tax credit equal to 35% of the cost of constructing and equipping three or more commercial facilities for processing renewable fuel in NC if the taxpayer invests at least \$400 million. Effective beginning with the 2007 tax year, this section amends the statute to (1) extend the credit to franchise tax, (2) raise the cap from 50% to 100% of the amount of tax against which it is claimed, and (3) remove a provision that made a taxpayer whose credit expired ineligible for the credit under 105-129.16D(b) (construction of a single facility) for the same property. Identical to H 1263, filed 3/29/07.

EXPAND SALES AND USE TAX REFUND FOR CERTAIN AIRCRAFT MANUFACTURERS

SECTION 31.10. Amends GS 105-164.14(j)(3)b. to extend the sales tax refund for aircraft manufacturers to manufacturers of listed aircraft parts, effective for purchases made on or after July 1, 2007. Identical to H 1597, filed 4/18/07 and S 1153, filed 3/20/07.

ADJUST TAX RATE ON PROPERTY COVERAGE INSURANCE CONTRACTS AND INCREASE THE DISTRIBUTION OF TAX PROCEEDS TO THE VOLUNTEER FIRE DEPARTMENT FUND

SECTION 31.11. Effective beginning with the 2008 tax year, amends GS 105-228.5(d)(3) (additional gross premiums tax on property coverage contracts) to (1) decrease the tax rate from 0.85% to 0.74%, (2) increase from 20% to 30% the portion of the net proceeds of this tax credited to the Volunteer Fire Department Fund, and (3) clarify that the term *property coverage* includes insurance contracts for wind damage.

Amends GS 58-87-1 (Volunteer Fire Department Fund) to increase the maximum size of a grant from \$20,000 to \$30,000, to increase from 6,000 to 12,000 the maximum population size a fire department may serve and remain eligible for a grant and to increase from three to six the maximum number of paid full-time employees a fire department may have and remain eligible for a grant. Amends GS 58-84-25 to modify the formula for distributing part of the property coverage tax to local fire districts for firefighters' local relief funds and provides a special formula for the initial allocation after January 1, 2008. Effective January 1, 2008.

SET INSURANCE REGULATORY FEE

SECTION 31.12. Sets the percentage rate to be used in calculating the insurance regulatory charge under GS 58-6-25 at 5.5% for the 2007 calendar year, effective when the act becomes law.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.13. Sets the percentage rate to be used in calculating the public utility regulatory fee under GS 62-302(b)(2) at 0.12%, effective July 1, 2007. Sets the electric membership corporation regulatory fee imposed under GS 62-302(b1) for 2007-08 at \$200,000.

AMEND SALES TAX HOLIDAY

SECTION 31.14. Effective for sales made on or after July 1, 2007, amends GS 105-164.3 and GS 105-164.13C to increase from \$100 to \$300 the maximum value of school instructional materials eligible for the annual sales tax holiday.

PART XXXII. MISCELLANEOUS PROVISIONS

COMMITTEE REPORT

SECTION 32.2. States that the House of Representatives Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated May 9, 2007, indicates action by the General Assembly on the act, is to be used to construe the act, and is considered a part of the act. Directs that it be printed as a part of the Session Laws.

EFFECTIVE DATE

SECTION 32.6. Provides that the act becomes effective July 1, 2007, except as otherwise provided.

May 9, 2007

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. House committee substitute makes the following changes to 2nd edition.

Operating appropriations. Revises the appropriations in Section 2.1 to read as follows:

Current Operations – General Fund	2007-2008	2008-2009
EDUCATION		
Community Colleges System Office	\$ 926,981,160	\$ 895,293,003
Department of Public Instruction	7,617,858,906	7,647,067,360
University of North Carolina - Board of Governors		
Appalachian State University	121,088,901	122,546,135
East Carolina University		
Academic Affairs	199,045,069	205,525,138

Health Affairs	48,700,539	48,649,036
Elizabeth City State University	31,383,354	32,120,970
Fayetteville State University	52,707,308	53,547,957
North Caroline Agricultural and Technical University	89,645,552	90,016,889
North Carolina Central University	75,885,006	77,267,483
North Carolina School of the Arts	24,391,420	23,729,158
North Carolina State University		
Academic Affairs	345,923,308	354,659,304
Agricultural Extension	42,241,968	42,126,187
Agricultural Research	53,406,637	52,144,009
University of North Carolina at Asheville	33,294,273	33,724,733
University of North Carolina at Chapel Hill		
Academic Affairs	264,945,034	270,689,011
Health Affairs	188,883,060	194,407,363
Area Health Education Centers	47,818,875	47,818,875
University of North Carolina at Charlotte	160,339,554	165,594,896
University of North Carolina at Greensboro	144,430,129	148,224,622
University of North Carolina at Pembroke	52,719,972	54,338,118
University of North Carolina at Wilmington	93,986,841	96,392,956
Western Carolina University	83,713,910	84,907,386
Winston-Salem State University	65,806,656	68,862,020
General Administration	42,489,469	42,647,024
University Institutional Programs	86,387,408	78,275,794
Related Educational Programs	149,629,645	149,933,562
North Carolina School of Science and Mathematics	16,859,174	17,065,422
UNC Hospitals at Chapel Hill	45,673,970	45,673,970
Total University of North Carolina – Board of Governors	\$ 2,561,397,032	\$ 2,600,888,018

HEALTH AND HUMAN SERVICES

Department of Health and Human Services

Office of the Secretary	70,456,262	64,218,183
Division of Aging	35,907,589	35,909,179
Division of Blind Services/Deaf/HH	11,212,540	11,434,643
Division of Child Development	306,853,499	311,284,207
Division of Education Services	38,794,264	38,855,457
Division of Facility Services	20,398,484	20,561,228
Division of Medical Assistance	2,845,030,681	3,124,704,806
Division of Mental Health	722,132,137	730,053,807
NC Health Choice	59,391,155	59,391,155
Division of Public Health	197,880,664	182,086,071
Division of Social Services	216,988,902	218,708,788
Division of Vocation Rehabilitation	44,216,797	45,518,365
Total Health and Human Services	\$ 4,569,262,974	\$ 4,842,725,889

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	\$ 69,857,939	\$ 60,997,179
Department of Commerce		

Commerce	62,068,944	40,289,341
Commerce State-Aid	35,445,235	24,200,235
NC Biotechnology Center	12,354,692	12,354,692
Rural Economic Development Center	43,190,022	24,190,022
Department of Environment and Natural Resources	197,575,831	187,713,956
DENR Clean Water Management Trust Fund	100,000,000	100,000,000
Department of Labor	16,494,758	16,494,951
JUSTICE AND PUBLIC SAFETY		
Department of Correction	\$ 1,213,986,709	\$ 1,235,779,061
Department of Crime Control and Public Safety	51,162,444	41,200,144
Judicial Department	414,383,094	416,627,599
Judicial Department - Indigent Defense	107,316,301	111,437,472
Department of Justice	95,313,802	91,003,047
Department of Juvenile Justice and Delinquency Prevention	158,833,717	165,147,912
GENERAL GOVERNMENT		
Department of Administration	67,122,032	67,390,336
Office of Administrative Hearings	3,691,458	3,521,735
Department of State Auditor	12,903,026	12,916,479
Office of State Controller	20,539,148	20,562,655
Department of Cultural Resources		
Cultural Resources	73,183,844	69,434,486
Roanoke Island Commission	2,020,023	2,020,023
State Board of Elections	6,385,722	5,969,618
General Assembly	54,538,665	55,740,786
Office of the Governor		
Office of the Governor	6,436,304	6,474,572
Office of State Budget and Management	5,757,493	5,764,198
OSBM -- Reserve for Special Appropriations	5,938,446	4,938,446
Housing Finance Agency	18,608,417	9,608,417
Department of Insurance	30,922,133	30,936,704
Insurance -- Volunteer Safety Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	914,122	915,109
Department of Revenue	84,851,963	84,944,343
Department of Secretary of State	11,476,990	10,743,041
Department of State Treasurer		
State Treasurer	9,285,010	9,282,070
State Treasurer -- Retirement for Fire and Rescue Squad Workers	9,458,957	9,458,957
TRANSPORTATION		
Department of Transportation	0	0
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	567,932,019	501,610,500
Salary Adjustment Fund: 2007-09 Biennium	23,688,000	23,688,000
Reserve for Teachers' and State Employees'		

Retirement Contribution	29,600,000	29,600,000
Reserve for Retirement System Payback	45,000,000	0
Reserve for State Health Plan	133,978,000	178,637,000
Contingency and Emergency Fund	5,000,000	5,000,000
Information Technology Fund	25,140,000	2,840,000
Reserve for Job Development Investment Grants (JDIG)	12,400,000	12,400,000
Integrated Tax Administration System Replacement	10,000,000	0
Energy Efficiency Reserve	10,000,000	0
Reserve for Pending Legislation	2,233,213	1,320,324
Distinguished Professors Endowment Fund	6,000,000	0
Reserve for Eliminated Positions	(103,000,000)	(103,000,000)
One-time Fiscal Relief for Medicaid County Share	60,000,000	0
Debt Service		
General Debt Service	619,793,004	701,454,348
Federal Reimbursement	1,616,380	1,616,380

**TOTAL CURRENT OPERATIONS –
GENERAL FUND**

\$ 20,131,397,929 \$ 20,283,698,408

Modifies section 5.3 to decrease the amount listed from the General Fund for 2008-09 to support appropriations from the Information Technology Fund from \$4,140,000 to \$2,840,000 and changes the total funds available from \$14,040,000 to \$12,740,000.

General provisions. Modifies Section 6.10 to no longer require the Energy Efficiency Reserve to be administered in consultation with the State Property Office. Allows the State Energy Office (SEO) to use up to \$2 million for current grant programs that promote the conservation of energy, alternative fuels, and renewable energy sources. Requires the SEO in consultation with the State Construction Office to use funds remaining in the reserve to provide funding for projects designed to make state, university, or community college facilities more energy efficient. Makes a conforming change. Corrects the reporting date.

Adds a new Section 6.18 requiring the Office of State Budget and Management (OSBM) to conduct an analysis of lapsed salary used by state agencies, to include specified information. OSBM must report its findings to the Joint Legislative Commission on Governmental Operations by April 30, 2008.

Education. Amends Section 7.20 to remove the requirement that the Director of the NC Virtual Public School Program (NCVPS) report on the consolidation status and operating plan for the 2007-08 fiscal year. Also removes the provision that if space is available after public school students are enrolled in virtual courses, other public school aged children may take the courses upon paying tuition. Requires the NCVPS to be available at no costs to students enrolled in NC public schools, Department of Defense schools, and schools operated by the Bureau of Indian Affairs. Requires the Department of Public Instruction (DPI) to communicate to local school administrative units the enrollment guidelines concerning nonpublic school students.

Modifies Section 7.32 by removing the previous language and replacing it with the following provisions. Establishes the 15-member Commission on Dropout Prevention within DPI, with the commission exercising its powers and duties independently of DPI. Requires the commission to administer funds appropriated for the 2007-09 biennium for dropout prevention grants. Provides for the appointment of members and filling of vacancies. Requires the Joint Legislative Education Oversight Committee to make recommendations to the commission on grant guidelines and administration. Requires grants to be distributed geographically throughout the state and requires grant funds to be distributed in time for grantee programs to begin implementation during the 2007-08 school year. Allows the commission to use up to \$150,000 of the funds appropriated for the dropout prevention grants to establish up to two administrative positions. Requires the commission to report to the Joint Legislative Education Oversight Committee on October 15, 2008, on grants distributed for the 2007-08 school year.

Modifies Section 8.10 to prohibit individual grants to community colleges for facility and equipment needs from exceeding \$1 million (was, \$2 million).

DHHS. Modifies Section 10.5 to include maximum net family income eligibility standards for DSB Vocational Rehabilitation and DVR Vocational Rehabilitation at 125%. Amends Section 10.6 to decrease from \$7 million to \$2 million the amount of funds appropriated for Community Health Grants that is allocated in 2008-09 to health centers, departments, and organizations that provide medical services to uninsured or medically indigent patients. Amends Section 10.13 to make the maximum monthly rate for adult care home residents effective January 1, 2007, instead of 2008. Adds a new section 10.13(c) providing that effective October 1, 2007, the maximum monthly rates for adult care home facility residents is \$1,178 per month per resident unless adjusted by the Department of Health and Human Services (DHHS). Makes technical corrections to Section 10.13.

Modifies Section 10.22 to require \$500,000 of the recurring funds appropriated to DHHS, Division of Public Health, for the Health Disparities Initiative to be allocated in each fiscal year into a fund to be established as the Lucas, Holloman, Martin, Allen, Hunter, and Hall Minority Health Initiative Fund. The funds must be used to address gaps in health status among African-Americans and other minority populations in North Carolina. Also requires DHHS's report on the funds appropriated to the Community-Focused Eliminating Health Disparities Initiative to also include specific activities undertaken to address the gaps in health status in the state's minority populations.

Modifies Section 10.24 to include in the 10 essential public health services, the delivery of which is to be improved by allocated funds, activities that focus on the prevention of suicide among adolescents and young adults.

Modifies Section 10.27 to make the funds for implementing three community-based harm reduction programs for Hepatitis C and HIV disease prevention contingent upon the enactment of H 400. Amends Section 10.30 to require the state (was, counties) to include county and IV-E reimbursements in determining the maximum reimbursements for child care institutions. Amends Section 10.35 to remove McDowell, Sampson, and Stokes counties from those counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan.

Modifies Section 10.48, increasing the maximum age of children that are eligible to participate in the NC Kids' Care Center from 18 to 19 and reducing the amount of time a person must have been uninsured to be eligible for the program from six months to three months. Removes the requirement that health benefits provided to eligible children be equivalent to Medicaid benefits. Also includes dental as an excluded benefit. Amends capped benefits to (1) increase the limit on inpatient behavioral health benefits from \$10,000 to \$250,000 per eligible child; (2) remove the provision limiting behavioral health benefits to 20 inpatient days; (3) remove the provision limiting physical, occupational, and speech therapy visits to 25 annually; and (4) increase the limit on outpatient behavioral health benefits from 20 to 26 visits annually. Increases the limit on the premium that may be charged for a child enrolled in NC Kids' Care with a family income between 200% and 300% of the federal poverty guidelines from \$24 to \$65 PM/PM. Provides that coinsurance of no more than 20% may apply to listed benefits (was, coinsurance of 20% must not apply). Allows (was, requires) NC Kids' Care to require enrollees to pay a co-payment for services listed at no more than the amount listed. Adds a new Section 10.48(h) requiring providers of services under NC Kids' Care to be paid at Medicare rates except pharmacy providers, who must be paid at Medicaid rates. Makes technical corrections.

Modifies Section 10.49 to remove the provision allowing the closure of Dorothea Dix Hospital and the John Umstead Hospital if listed conditions have been met. Amends Section 4.1 of SL 2003-314 to provide that nothing in the State Psychiatric Hospital Finance Act limits the Secretary of Health and Human Services' responsibilities under GS 122C-112.1(a)(30) or GS 122C-181(b), and makes the effective date of any closure subject to GS 122C-181 (Secretary's jurisdiction over state facilities). Amends GS 122C-112.1 to require, prior to closing a state facility (hospitals, centers, and special care schools) that members of the General Assembly representing areas affected by the closure have an opportunity to comment on the plan at a joint meeting. Also includes specific items that must be included in the plan. Provides that the Secretary must not close a state facility if adequate replacement services are not available prior to the closure date.

Modifies Section 10.49(y) to include the New River local management entity in those that are to continue to receive state allocations through single stream funding. Also provides that if DHHS has not designated the four additional local management entities to receive all state allocations through single stream funding by July 1, 2007, then the designations must be enacted by the 2007 General Assembly (was, the General Assembly must make the designations).

Modifies Section 10.49 to remove the requirement that the DHHS tier the rates for community supports service. Requires DHHS to study the option of tiering the rates for the community supports service according to the level of qualifications of the individuals delivering the services and the types of services being delivered. Requires a report on the advantages and disadvantages of a tiered system to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division by January 1, 2008.

Modifies Section 10.49 to require the reports by the LME to DHHS for expenditures from county funds by the LME for specified services and expenditures regardless of the source, to be made annually. Also requires the report to include the amount of expenditures for services provided by the multi-county LME to residents of each county in the multi-county LME's catchment area.

Adds a new Section 10.54A to provide that the appropriation of funds to DHHS, Division of Facility Services, for the 2007-08 and 2008-09 fiscal years to establish and maintain public availability to inspection reports is contingent upon the enactment of H 248 (ACH Star Rating Authorization/Funds).

Modifies section 10.55 to require that \$250,000 of the funds appropriated for risk reduction projects be used to fund a pilot to do basic education resource and referral for individuals with HIV/AIDS and substance abuse disorders. Previous language required the funds to be used for the statewide implementation of the Basic Education Resource Treatment Initiative.

DENR. Modifies Section 12.5 to allocate an additional \$125,000 to the Natural Science Center of Greensboro from the funds appropriated to the Grassroots Science Program in the 2007-08 fiscal year.

Commerce. Modifies Section 13.11 to prohibit funds from being released to the Triangle Urban League if it is not in compliance with all state funding requirements governing state-aid to non-state entities as of July 1, 2007.

Modifies Section 13.12(d) to reduce the amount of the money allocated from the Rural Economic Development Center appropriation for 2007-08 and for 2008-09 from \$2,665,910 to \$2,415,910. Makes conforming reductions in the amount to be used for (1) community development grants to support development projects and activities within the state's minority communities by reducing the amount from \$1,297,410 to \$1,047,410, and (2) for direct grants to local community development corporations to support operations and project activities by reducing the amount from \$1,247,410 to \$1,047,410.

Modifies Section 13.17 to remove the requirement that the e-NC Authority and WOW e-CDE study the best methods to address internet accessibility shortage in rural or economically distressed areas of the state.

Judicial Department. Modifies Section 14.10 by removing the sentence stating that the per-mile reimbursement rate may be applied to employees and officials other than judges.

Administration. Adds a new Section 19.1(b) to require that the Department of Administration and the Office of State Personnel report on the placement or compensation of all state employees affected by the redesignation of the Governor's Advocacy Council for Persons with Disabilities to the House and Senate Appropriations Subcommittees on General Government.

State Treasurer. Modifies Section 26 by deleting the provision prohibiting the Department of State Treasurer, Retirement Systems Division from contracting for the performance of various functions and deletes the provision prohibiting the division from using lapsed salary savings for any purpose. Adds a new Section 26.1(b) requiring the division to report quarterly beginning October 31, 2007, to various legislative committees and to the Fiscal Research Division (FRD) on all contracts by funding sources and on the use of lapsed salary savings.

Salaries and benefits. Adds Section 6.17 requiring OSBM to eliminate all state government positions funded through the General Fund that are vacant for more than six months as of June 30, 2007, by transferring all funds appropriated for salaries and benefits for the vacant positions.

The savings resulting from eliminating the vacant positions must be credited to the Reserve for Compensation Increases, effective July 1, 2007. Increases the amounts appropriated to the Reserve for Compensation Increase and to Reserves and Transfers in the Highway Fund for fiscal years 2007-08 and 2008-09. Increases the salaries to specified amounts for the Governor, members of the Council of State, non-elected department heads, executive branch officials, the administrative officer of the courts, the assistant administrative officer of the courts, assistant district attorneys, assistant public defenders, clerk of superior court, assistant and deputy clerks of court, magistrates, general assembly principal clerks, school superintendents, directors/coordinators, supervisors, and finance officers. Increases the salary increase amount to 4.25% for Judicial Department employees whose salaries are not itemized in the bill, community college employees, UNC employees, state employees, state officials, school central office personnel, and public school employees. Decreases the amount of the additional annual salary increase for community college faculty and professional staff to 0.75%. Deletes Section 28.16 (Compensation Bonus for fiscal year 2007-08) and Section 28.17 (certain salaries set by general assembly).

Adds a new Section 28.21A, amending GS 127A-40(a) to increase pensions of national guard members from \$80 to \$95 per month for 20 years of creditable military services, with an additional \$9.50 (was, \$8) per month for each additional year of service, as long as the total pension does not exceed \$190 (was, \$160) per month.

Capital appropriations. Modifies Section 29.2 to reduce the funds appropriated for renovations to the Charlotte Hawkins Brown Museum by \$3,921,100. Removes the appropriations for Winston-Salem State University's Hill Hall rehabilitation, Diggs Gallery renovation, and land acquisition. Increases the amount appropriated to the Appalachian State University College of Education Building planning funds by \$8.5 million. Increases the amount appropriated to the Western Carolina University School of Health and Gerontology Planning Funds by \$1.6 million. Amends Section 29.5 to require \$1,650,000 of the funds appropriated to the Reserve for Repairs and Renovations for the 2007-08 fiscal year to be used for roof repair at the North Carolina Transportation Museum. Makes technical corrections.

Clarifies that the funds in Section 29.2(b) for the construction of the Genomics Science Building are appropriated to the UNC Board of Governors, not the University of North Carolina.

May 10, 2007

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. House amendments make the following changes to 3rd edition.

Miscellaneous. Amendment #1 modifies Section 2.2 to correct the reference to the upper income tax bracket extension. Amends Section 5.3(a) by adding to the availability statement \$1 million for BEACON/Data Integration Funds for the 2007-08 fiscal year. Amends Section 6.17 to establish a Reserve for Eliminated Positions in the Office of State Budget and Management. Also credits \$1.03 million to the reserve from the savings from the elimination of vacant positions as required in the section, effective July 1, 2007 (was, credited to the Reserve for Compensation Increases). Amends Section 7.1 to require the Director of the Budget to transfer funds necessary to implement the specified teacher salary schedules from the Reserve for Compensation Increases (was, from the Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools). Amends Section 7.3 to reduce the salary ranges listed for school administrators and superintendents. Amends Section 10.10 to remove the provision that the purpose of the Comprehensive Treatment Services Program is to provide treatment alternatives for children within the child mental health deaf and hard of hearing target population. Also provides that the program includes appropriate and medically necessary nonresidential and residential services for children within the child mental health deaf and hard of hearing target population (was, appropriate and medically necessary nonresidential and residential services for deaf children). Amends Section 10.22 by reducing the amount allocated from the Department of Health and Human Services (DHHS) to the Community-Focused Eliminating Health Disparities Initiative for grants in aid from \$2.75 million to \$2 million for the 2008-09 fiscal year. In combination with amendment #18, amendment #1 eliminates the 2008-09 allocation for the Lucas, Holloman, Martin, Allen, Hunter, and Hall Minority Health Initiative Fund from funds appropriated to DHHS, Division of Public Health, for the Health Disparities Initiative. Amends

Section 11.3 to reduce the amount of funds transferred from the Tobacco Trust Account to the State Controller that is to be used for the North Carolina Agricultural Development and Farmland Preservation Trust Fund from \$8.5 million to \$8 million and requires \$500,000 to go to the Got to Be NC marketing initiative. Amends Section 26.1 to remove the provision prohibiting the Department of State Treasurer, Retirement Systems Division, from using lapsed salary savings for any purpose. Amends Section 28.3 to remove the specified salary for the Director of the Office of Administrative Hearings. Amends Section 29.2 to decrease the total amount appropriated to capital Improvements from the General Fund for fiscal year 2007-08 from \$132,518,041 to \$126,873,541. Amends Section 32.2 to update the reference to the NC House of Representatives Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets.

General provisions. Amendment #2 amends Section 6.16 to increase from \$60 million to \$100 million the funds to be allocated for the 2007-08 fiscal year from the funds appropriated to DHHS, Division of Medical Assistance, to provide one-time assistance for the county Medicaid Share. Requires \$50 million (was, \$30 million) of the \$100 million to be allocated to all 100 counties for one-time assistance, \$40 million (was, \$30 million) to be allocated for targeted assistance for counties whose Medicaid population is 25% or greater of the county's total population, and \$10 million to be allocated for counties whose Medicaid population is 20% or greater but less than 25% of the county's total population. Deletes the definition of *targeted county*. Adds a new Section 6.16A prohibiting funds from being used to fund a one-time lump sum bonus for state employees for the 2007-08 fiscal year. Adds new Section 6.16B establishing the Reserve for Critically Needed Positions in the Office of State Budget and Management to make funds available to state agencies for employing temporary employees to fill vacant positions that are critical to the functioning of state government and that have been eliminated in the act. Amends Section 2.1 in Reserves, Adjustments, and Debt Service to: (1) reduce the amount appropriated for the reserve for compensation increases for 2007-08 by \$64,653,000; (2) increase the amount appropriated for the one time fiscal relief for Medicaid county share for 2007-08 by \$40 million; and (3) appropriate \$24,653,000 for the reserve for critically needed positions.

Public schools. Amendment #13 adds new Section 7.23(b) exempting National Board for Professional Teaching Standards (NBPTS) certified teachers serving as literacy coaches from the requirements of GS 115C-296.2(b)(2)d (requiring teachers to spend 70% of their time in classroom instruction and work in their areas of certification). Also provides that these teachers remain on the NBPTS teacher salary schedule. Makes technical changes.

Amendment #20 adds new Section 7.37 requiring funds appropriated to the Department of Public Instruction as a pass through for science competitions to be used as follows: (1) \$100,000 in each fiscal year to provide additional funding for Science Olympiad, and (2) \$100,000 in each fiscal year to be allocated to the North Carolina Science, Mathematics and Technology Education Center, Inc. to establish new interscholastic science competitions.

Amendment #22 adds new Section 7.37 requiring \$2,563,000 in recurring expansion funds of the funds appropriated to the State Public School Fund to be used for principal mentors for the 2007-08 and 2008-09 fiscal years. Also requires \$312,000 in recurring expansion funds of the funds appropriated to the Department of Public Instruction to be allocated as a pass-through for the North Carolina Network for School Based Management (NCNSBM) for the 2007-08 and 2008-09 fiscal years. Allows local school administrative units to contract with NCNSBM using allotments that can be expended for professional development.

Community colleges. Amendment #3 adds a new Section 8.11 appropriating \$630,000 in nonrecurring expansion funds to the Community Colleges System Office for the 2007-08 fiscal year to expand the minority male mentoring program to an additional 20 community colleges. Amends Section 8.10 to specify that \$12,370,000 appropriated for fiscal year 2007-08 to the Community College Facilities and Equipment Fund must be used to award grants to community colleges for facility and equipment needs.

Department of Health and Human Services. Amendment #6 modifies Section 10.34 to require DHHS to collaborate with the State Education Assistance Authority on the distribution of funds to implement a child welfare postsecondary support program.

Amendment #9 adds a new Section 10.27A to require that from the funds appropriated to DHHS, Division of Public Health, for Purchase of Medical Care for Cancer, \$100,000 for each

fiscal year must be allocated to the UNC School of Medicine Department of Psychiatry for the OASIS program.

Amendment #10 adds a new Section 10.6 (b1) requiring that, of the funds appropriated for Community Health Grants and allocated to centers and clinics providing medical services to uninsured or medically indigent patients for the 2007-08 year, \$375,000 must be used for a cost of operations increase to eligible school-based and school-linked adolescent health centers.

Amendment #11 amends Section 10.27 to prohibit funds appropriated for HIV prevention and to implement community-based harm reduction programs as part of a Hepatitis C and HIV prevention program from being used to provide access to sterile syringes. Removes the provision making the appropriation contingent on the enactment of House Bill 400 (funds for harm reduction programs).

Amendment #14 adds new Section 10.48A requiring the Division of Medical Assistance to use \$3 million in each fiscal year to provide funding for a rate increase for home health and personal care services providers, effective October 1, 2007. Provides the \$3 million by (1) transferring from the funds appropriated to DHHS, Division of Public Health, for Aid to Local Health Departments \$1 million in each fiscal year to the Division of Medical Assistance and (2) increasing the reduction in funds for cost containment activities in DHHS, Division of Medical Assistance, by \$2 million. Makes conforming changes in the amounts appropriated in Section 2.1.

Amendment #15 revises Section 10.49(t) and deletes Section 10.49(t1) to authorize the Secretary of Health and Human Services to close Dorothea Dix Hospital and John Umstead Hospital, notwithstanding GS 122C-112.1(a)(30) (requiring the Secretary to notify legislative commissions and to present a plan for closure to various legislative commissions before requesting approval to close a state facility) and GS 122C-181 (the Secretary's jurisdiction over state facilities) if all of the following conditions are met: (1) the secretary has notified various legislative commissions and members of the General Assembly representing the catchment area affected by the closure, (2) the secretary has presented a plan, which must address specified issues, for the closure of each hospital to members of the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services for their review and recommendations, (3) the Central Regional Hospital is operational and patient transfers are completed, and (4) the secretary must not close a state facility if adequate replacement services are not available prior to the closure date. Removes previous language that amended Section 4.1 of SL 2003-314 and GS 122C-112.1.

Amendment #24 amends Section 10.48(b) to require an individual to meet applicable federal citizenship and immigration requirements to be eligible to participate in NC Kids' Care. Also amends Section 9.7(a) to modify proposed GS 116-209.26 to add the requirement that students qualify as legal residents of the US to the criteria for awarding grants from the Education Access Rewards North Carolina Scholars Fund.

May 29, 2007

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. Senate Appropriations Committee Substitute with attached amendments makes the following changes to the 5th edition. Changes title to *AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.*

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

SECTION 2.1. Makes the following appropriations from the General Fund for the biennium ending June 30, 2009:

Current Operations – General Fund	2007-2008	2008-2009
EDUCATION		
Community Colleges System Office	\$ 919,581,160	\$ 898,393,003
Department of Public Instruction	7,620,122,436	7,666,686,081
University of North Carolina – Board of Governors		
Appalachian State University	121,866,775	123,484,299

East Carolina University		
Academic Affairs	200,929,741	207,798,168
Health Affairs	48,700,539	48,649,036
Elizabeth City State University	31,770,080	32,587,386
Fayetteville State University	53,131,616	54,059,698
North Carolina Agricultural and Technical State University	91,017,204	91,671,185
North Carolina Central University	76,599,430	78,129,122
North Carolina School of the Arts	24,650,862	24,042,061
North Carolina State University		
Academic Affairs	349,253,626	358,675,869
Agricultural Extension	42,241,968	42,126,187
Agricultural Research	53,406,637	52,144,009
University of North Carolina at Asheville	33,648,196	34,151,586
University of North Carolina at Chapel Hill		
Academic Affairs	269,229,699	275,856,577
Health Affairs	188,883,060	194,407,363
Area Health Education Centers	47,818,875	47,818,875
University of North Carolina at Charlotte	161,588,211	167,100,852
University of North Carolina at Greensboro	145,859,443	149,948,462
University of North Carolina at Pembroke	53,241,514	54,967,129
University of North Carolina at Wilmington	94,683,871	97,233,616
Western Carolina University	84,117,070	85,393,621
Winston-Salem State University	66,379,070	69,552,386
General Administration	42,489,469	42,647,024
University Institutional Programs	134,338,874	110,449,559
Related Educational Programs	149,629,645	149,933,562
North Carolina School of Science and Mathematics	16,859,174	17,065,422
UNC Hospitals at Chapel Hill	45,673,970	45,673,970
Total University of North Carolina – Board of Governors	\$ 2,628,008,619	\$ 2,655,567,024
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	62,993,587	64,366,411
Division of Aging	35,643,589	35,006,179
Division of Blind Services/Deaf/HH	10,552,646	10,521,452
Division of Child Development	306,644,018	312,004,939
Division of Education Services	38,537,264	38,310,972
Division of Facility Services	19,108,545	19,061,591
Division of Medical Assistance	2,793,185,861	3,067,189,551
Division of Mental Health	713,716,560	719,875,784
NC Health Choice	59,391,155	59,391,155
Division of Public Health	191,420,132	183,966,681
Division of Social Services	212,788,902	216,008,788
Division of Vocation Rehabilitation	43,374,525	44,712,409
Total Health and Human Services	\$ 4,487,356,784	\$ 4,770,415,912
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	51,749,141	51,424,944
Department of Commerce		

Commerce	62,466,647	40,086,833
Commerce State-Aid	22,976,478	0
NC Biotechnology Center	15,583,395	15,583,395
Rural Economic Development Center	43,802,607	24,302,607
Department of Environment and Natural Resources	203,599,459	193,550,404
Clean Water Management Trust Fund	100,000,000	100,000,000
Department of Labor	16,594,758	16,594,951
JUSTICE AND PUBLIC SAFETY		
Department of Correction	\$ 1,213,715,078	\$ 1,219,540,012
Department of Crime Control and Public Safety	47,830,429	36,404,601
Judicial Department	448,592,907	450,527,517
Judicial Department – Indigent Defense	106,540,251	113,414,917
Department of Justice	94,861,199	91,671,670
Department of Juvenile Justice and Delinquency Prevention	156,864,584	129,694,269
GENERAL GOVERNMENT		
Department of Administration	66,347,940	68,969,534
Office of Administrative Hearings	3,858,741	3,689,018
Department of State Auditor	12,672,540	12,685,993
Office of State Controller	20,710,191	20,727,698
Department of Cultural Resources		
Cultural Resources	73,422,441	72,361,683
Roanoke Island Commission	2,020,023	2,020,023
State Board of Elections	6,188,472	6,046,868
General Assembly	54,538,665	55,740,786
Office of the Governor		
Office of the Governor	6,262,319	6,300,587
Office of State Budget and Management	5,930,060	5,936,765
OSBM – Reserve for Special Appropriations	6,438,446	4,938,446
Housing Finance Agency	17,108,417	9,608,417
Department of Insurance		
Insurance	30,922,133	30,936,704
Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	914,122	915,109
Department of Revenue	83,949,579	84,041,959
Department of Secretary of State	11,412,917	10,686,083
Department of State Treasurer		
State Treasurer	9,329,130	9,326,190
State Treasurer – Retirement for Fire and Rescue Squad Workers	9,458,957	9,458,957
TRANSPORTATION		
Department of Transportation	0	0
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	496,685,523	488,655,673
Salary Adjustment Fund: 2007-09 Biennium	23,688,000	23,688,000
Reserve for Teachers' and State Employees' Retirement Contribution	29,600,000	29,600,000
Reserve for Retirement System Payback	10,000,000	10,000,000
Reserve for State Health Plan	120,118,352	127,270,489

Public Defenders Retirement	573,000	573,000
Judicial Longevity	717,577	717,577
Contingency and Emergency Fund	5,000,000	5,000,000
Information Technology Fund	29,140,000	7,840,000
Reserve for Job Development		
Investment Grants (JDIG)	12,400,000	12,400,000
Reserve for Eliminated Positions	(34,403,179)	(34,403,179)
Internal Auditing	1,000,000	1,000,000
Debt Service		
General Debt Service	619,793,004	678,387,871
Federal Reimbursement	1,616,380	1,616,380
TOTAL CURRENT OPERATIONS –		
GENERAL FUND	\$ 19,982,159,682	\$ 20,245,094,771

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2(a). Provides the General Fund availability for 2007-2009 as follows:

	FY 2007-2008	FY 2008-2009
Unappropriated Balance Remaining		
from Previous Year	\$ 0	\$ 279,711,230
Projected Reversions FY 2006-07	125,000,000	0
Projected Overcollections FY 2006-07	1,135,200,000	0
Less Earmarkings of Year End Fund Balance		
Savings Reserve Account	(150,000,000)	0
Repairs and Renovations Reserve Account	(145,000,000)	0
Beginning Unreserved Fund Balance	\$ 965,200,000	\$ 279,711,230
Revenues Based on Existing Tax Structure	\$ 18,532,400,000	\$ 19,551,000,000
Nontax Revenues		
Investment Income	201,600,000	211,100,000
Judicial Fees	173,000,000	177,100,000
Disproportionate Share	100,000,000	100,000,000
Insurance	55,500,000	57,900,000
Other Nontax Revenues	140,400,000	154,300,000
Tobacco Trust Fund Transfer	2,000,000	0
Highway Trust Fund/Use Tax		
Reimbursement Transfer	172,500,000	172,500,000
Highway Fund Transfer	18,190,000	17,610,000
Subtotal Nontax Revenues	\$ 863,190,000	\$ 890,510,000
Total General Fund Availability	\$ 20,360,790,000	\$ 20,721,221,230
Adjustments to Availability: 2007 Session		
IRC Conformity	(56,900,000)	(49,100,000)
Reserve for Tax Adjustments	(30,000,000)	(30,000,000)
Health & Human Services/Facility Services Fees	1,705,501	1,642,407
Secretary of State Corporate Annual Report Fees	563,016	563,016
Net Increase Judicial Fees	36,821,220	36,821,220
Transfer from Closed Capital Account	3,506,143	0
Adjust Transfer from Treasurer's Office	110,758	98,758
Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
Subtotal Adjustments to Availability:		
2007 Session	\$ (44,113,088)	\$ (39,918,325)

Revised General Fund Availability	\$ 20,316,676,912	\$ 20,681,302,905
Less: General Fund Appropriations	(20,036,965,682)	(20,245,094,771)
Unappropriated Balance Remaining	\$ 279,711,230	\$ 436,208,134

REPAIRS AND RENOVATIONS RESERVE ACCOUNT

SECTION 2.2.(b), (c) Identical to 5th edition.

SAVINGS RESERVE ACCOUNT

SECTION 2.2.(c1). New provision provides that notwithstanding GS 143-15.2, 143-15.3, and 143C-4-2, the State Controller is to transfer only \$150 million from the unreserved credit balance to the Savings Reserve Account on June 30, 2007. Provides that the transfer is not an appropriation for the purposes of Section 7(1), Article V of the NC Constitution. Effective June 30, 2003.

TRANSFER FROM HIGHWAY TRUST FUND TO GENERAL FUND

SECTION 2.2.(d),(e) Identical to 5th edition.

CLEAN WATER MANAGEMENT TRUST FUND

SECTION 2.2.(f) Identical to 5th edition.

TOBACCO TRUST FUND TRANSFER

SECTION 2.2.(g). New provision transfers \$2 million for 2007-08 from the funds credited to the Tobacco Trust Fund during the 2007-2009 biennium to support General Fund appropriations for 2007-08.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Makes the following appropriations from the Highway Fund for the maintenance and operation of the Department of Transportation, for the biennium ending June 30, 2009

Current Operations – Highway Fund	2007-2008	2008-2009
Department of Transportation		
Administration	\$ 84,037,661	\$ 83,204,187
Division of Highways		
Administration	32,651,442	32,703,136
Construction	161,233,869	150,173,949
Maintenance	908,123,260	909,934,281
Planning and Research	4,700,000	4,700,000
OSHA Program	425,000	425,000
Ferry Operations	31,313,921	31,313,921
State Aid		
Municipalities	93,046,035	93,073,949
Public Transportation	73,466,447	73,466,447
Airports 21,860,122	19,730,033	
Railroads	21,951,153	20,951,153
Governor's Highway Safety	334,314	335,449
Division of Motor Vehicles	103,676,924	119,130,944
Transfers, Other State Agencies, And Reserves	269,319,852	255,937,551
TOTAL	\$1,806,140,000	\$1,795,080,000

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability is as follows:

Unappropriated Balance From Previous Year	\$ 0	\$ 0
Beginning Credit Balance	30,000,000	-
Estimated Revenue	1,776,140,000	1,795,080,000

Total Highway Fund Availability	\$	1,806,140,000	\$	1,795,080,000
Unappropriated Balance	\$	0	\$	0

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Makes the following appropriations from the Highway Trust Fund for the biennium ending June 30, 2009:

Current Operations – Highway Trust Fund	2007-2008	2008-2009
Intrastate System	\$ 540,326,825	\$ 550,107,613
Urban Loops	218,485,665	222,440,608
Aid to Municipalities	56,692,887	57,719,120
Secondary Roads	94,808,677	96,786,225
Program Administration	42,722,640	43,386,880
Transfer to General Fund	172,543,306	172,619,554
Negative Reserve	(8,100,000)	(12,100,000)
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$ 1,117,480,000	\$ 1,130,960,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability is as follows:

Total Highway Trust Fund Availability	\$ 1,117,480,000	\$ 1,130,960,000
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PART V. OTHER AVAILABILITY AND APPROPRIATIONS

CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND APPROPRIATION

SECTION 5.1. Provides the availability for the Civil Penalty and Forfeiture Fund as follows:

	FY 2007-2008	FY 2008-2009
Department of Revenue	\$63,000,000	\$63,000,000
Department of Transportation	\$15,000,000	\$15,000,000
Employment Security Commission	\$3,000,000	\$3,000,000
Department of Insurance	\$1,000,000	\$1,000,000
University of North Carolina	\$3,500,000	\$3,500,000
Other Agencies	\$10,000,000	\$10,000,000
Total Funds Available	\$95,500,000	\$95,500,000

Makes the following appropriations from the Civil Penalty and Forfeiture Fund for the 2007-2009 fiscal biennium:

	FY 2007-2008	FY 2008-2009
School Technology Fund	\$18,000,000	\$18,000,000
State Public School Fund	\$77,500,000	\$77,500,000
Total Appropriation	\$95,500,000	\$95,500,000

EDUCATION LOTTERY

SECTION 5.2. Pursuant to G.S. 18C-164, transfers \$350 million from the State Lottery Fund for 2007-08 fiscal year and appropriates the funds as follows:

Class Size Reduction	\$ 90,364,291
Prekindergarten Program	84,635,709
Public School Building Capital Fund	140,000,000
Scholarships for Needy Students	<u>35,000,000</u>
Total Appropriation	\$ 350,000,000

Provides that notwithstanding G.S. 18C-164(f), if the actual net revenues exceed the amounts appropriated, the excess remains in the Education Lottery Fund, and then may be

transferred in the discretion of the Governor to the four categories listed above. Effective June 30, 2007.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3. Provides the following availability from the Information Technology Fund established in G.S. 147-33.72H:

	FY 2007-2008	FY 2008-2009
Receipts from Information		
Technology Enterprise Fee	\$9,800,000	\$9,800,000
BEACON/Data Integration Funds	\$5,000,000	\$5,000,000
Interest Income	\$100,000	\$100,000
IT Fund Balance June 30	\$600,000	\$690,000
Appropriation from General Fund	<u>\$4,140,000</u>	<u>\$2,840,000</u>
Total Funds Available	\$19,640,000	\$18,430,000

Appropriates funds from the Information Technology Fund for the 2007-2009 fiscal biennium as set forth in the House of Representatives Appropriations Committee Report on the Continuation, Expansion and Capital Budgets (Committee Report).

	FY 2007-2008	FY 2008-2009
Office of Information Technology Services		
Information Technology Operations	\$9,452,835	\$8,152,835
Information Technology Projects	\$4,497,165	\$4,497,165
BEACON/Data Integration Funds	<u>\$5,000,000</u>	<u>\$5,000,000</u>
Total	\$18,950,000	\$17,650,000

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES AND RECEIPTS

SECTION 6.1. Identical to 5th edition.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. Identical to 5th edition.

REVISE FREQUENCY OF FEE REPORT

SECTION 6.3. Identical to 5th edition.

BUDGET REALIGNMENT

SECTION 6.4. Identical to 5th edition.

CONSULTATION NOT REQUIRED PRIOR TO ESTABLISHING OR INCREASING FEES

PURSUANT TO THE STATE BUDGET ACT

SECTION 6.5. Same as 5th edition except provides that an agency is not required to consult with the Joint Legislative Commission on Governmental Operations before establishing or increasing a fee as authorized in this act, or in the Senate (was, House of Representatives) Appropriations Committee Reports on the Continuation, Expansion, and Capital Budgets. Also makes a conforming change.

CONVERSION OF CONTRACTED POSITIONS

SECTION 6.6. Deleted.

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND

REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL MANAGEMENT

SECTION 6.7. Same as 5th edition except requires (was, recommends) follow-up staffing analyses to be conducted annually and completed by January 2 of each year. The following changes are effective until June 30, 2008. Authorizes the Office of State Budget and Management (OSBM) to evaluate the impact of the BEACON Program on affected agencies and develop a plan for addressing resources affected by the program. Requires the State Redeployment Plan to be implemented to the extent possible. Allows a new position to be created if a current or contracted position is eliminated, when required for compliance with federal or state law. Requires OSBM, in consultation with the Office of the State Controller, to report to the Joint Legislative Commission on Governmental Operations (Governmental Operations) within 30 days for each employee change made under the State Redeployment Plan, including a five-year fiscal

impact incurred by the state when converting any contracted position to a permanent position. Makes technical changes.

BEACON DATA INTEGRATION

SECTION 6.8. Same as 5th edition except requires the Office of the State Controller (OSC), in cooperation with the State Chief Information Officer, to develop a Strategic Implementation Plan (was, a comprehensive plan) for the integration of databases and the sharing of information among state agencies and programs (was, agencies, operations, and programs). Makes the following changes to the information required to be included in the plan: (1) requires an implementation schedule to be reviewed and adjusted annually by the General Assembly based on funding availability (was, a schedule for implementation with a completion date of no later than 2010) and (2) requires priorities for database integration, commencing with the integration of databases that the steering committee identifies as most beneficial in terms of maximizing fund availability and realizing early benefits (was, identifies as most crucial to the enhancement of operations and effectiveness, focusing on two or three agencies that can achieve the greatest initial benefit). Increases the sum appropriated to the North Carolina Information Technology Fund that must be used for BEACON data integration from \$1 million to \$5 million. Requires OSC to identify and make all efforts to secure any federal matching funds (was, identify and obtain any federal matching funds). Also establishes purposes for which the funds may be used. Requires OSC, with the assistance of the State Chief Information Officer, to present the Strategic Implementation Plan to the 2008 Session of the General Assembly. Also replaces reporting requirements with a new requirement that OSC provide status reports to Governmental Operations or the Fiscal Research Division of the General Assembly as requested before the convening of the 2008 General Assembly.

USE OF COLLECTION ASSISTANCE FEE

SECTION 6.9. Same as 5th edition except removes proposed GS 105-243.1(e)(7) allowing the Department of Revenue (DOR) to apply the fee proceeds to pay for the replacement of the Integrated Tax Administration System and related collections initiatives, not to exceed \$40 million, and replaces it with an uncodified provision as follows: States the finding by the General Assembly that a computer system that records tax payments and determines when the payments are overdue relates to the collection of overdue tax debts and that the cost of the computer system is subject to the collection assistance fee in GS 105-243.1. Authorizes DOR to use \$40 million of funds in the 20% Collection Assistance Fee Account (account) during the 2007-09 fiscal biennium to replace its current computer system and appropriates the funds for that purpose. Provides that funds appropriated remain in the account until withdrawn for expenditures for a replacement computer system and remain in the account if not expended during the 2007-09 fiscal biennium.

ENERGY EFFICIENCY RESERVE

SECTION 6.10. Deleted.

OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW

SECTION 6.11. Identical to 5th edition.

OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF STATE IT BUDGET SUBMISSIONS

SECTION 6.12. Identical to 5th edition.

GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY

SECTION 6.13. Same as 5th edition except requires OSBM to report to the General Assembly by April 30, 2008 (was, January 15, 2008).

E-COMMERCE LONG-RANGE STRATEGY REPORT

SECTION 6.14. Identical to 5th edition.

UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT INITIATIVE/REDUCE BACKLOG FOR DISTINGUISHED PROFESSOR ENDOWMENT TRUST FUND PROFESSORSHIPS

SECTION 6.15.(a) Same as 5th edition except provides that funds are allocated in the North Carolina Senate (was, House of Representatives) Committee Report on the Continuation, Expansion, and Capital Budget.

MEDICAID COUNTY SHARE RELIEF

SECTION 6.16. Deletes the allocation of \$100 million for 2007-08 to provide one-time assistance for the county share of Medicaid and replaces it with the following. States the intent of the General Assembly to develop a method for relieving counties of the county share of Medicaid to be put in place by July 1, 2008. Provides that methods being considered will allow counties to use funds the counties would otherwise spend on Medicaid to support improvements in education at the local level without limiting the state's ability to provide critical state-funded services.

NO FUNDS FOR ONE-TIME BONUS

SECTION 6.16A. Deleted.

RESERVE FOR CRITICALLY NEEDED POSITIONS

SECTION 6.16B. Deleted.

ELIMINATION OF VACANT POSITIONS

SECTION 6.17. Same as 5th edition except reduces the amount credited to the Reserve for Eliminated Positions from \$103 million to \$34,403,179. Also provides that the section does not apply to the University of North Carolina, community colleges, and public schools.

STUDY OF LAPSED SALARY USE

SECTION 6.18. Deleted.

SALARY RESERVE BALANCES

SECTION 6.19. New provision allows a state agency, with approval from the Director of the Budget, during the 2007-09 fiscal biennium, to spend more than was authorized in the certified budget for a purpose or program if the overexpenditure is required to accommodate the redistribution of salary reserve balances within a state department.

CLARIFY THE TERMS AND CONDITIONS OF EMPLOYMENT OF THE DIRECTOR OF A LOCAL MANAGEMENT ENTITY

SECTION 6.20. New provision amends GS 122C-121 to provide that the area director serves at the pleasure of the area board. Defines *employee*. Prohibits the area board from giving the director any benefits that are not also given to the area program's permanent employees. Provides that the director is to be reimbursed only for allowable employment-related expenses at the same rate and in the same manner as other area program employees. Requires the area director to terminate, as well as appoint and supervise, area program staff. The following applies to salary plans submitted and contracts entered into, extended, modified, or renewed on or after July 1, 2007: Requires the area board to establish the area director's salary and authorizes the area board to request an adjustment to the salary ranges limited to no more than 10% above the normal allowable salary range as determined by the State Personnel Commission.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.21. New provision requires the following reports, which must include listed information, by February 1, 2008, to the Appropriations Committees of the Senate and House of Representatives: (1) requires the Administrative Office of the Courts to report on the Dispute Resolution and Community Mediation Programs, the Association of Clerks of Superior Court, and the Conference of District Attorneys, (2) requires the Office of Indigent Defense Services to report on the Division of Sentencing Services, (3) requires the Department of Correction to report on the Criminal Justice Partnership Program, Harriet's House, Women at Risk, Summit House, and contracts for long-term residential treatment beds, (4) requires the Department of Juvenile Justice and Delinquency Prevention to report on the Boys and Girls Clubs; the Juvenile Assessment Center; Project Challenge; the Juvenile Crime Prevention Council; the Governor's One-on-One Program; and Support Our Students, (5) requires the Department of Justice to report on the North Carolina Legal Education Assistance Fund, (6) requires the Department of Crime Control and Public Safety to report on the North Carolina Victims Assistance Network, the National Guard Tarheel Challenge Program, and the Butner Public Safety Division, (7) requires the Department of Environment and Natural Resources to report on the Environmental Stewardship Initiative, (8) requires the Department of Commerce to report on Regional Partnerships, Council of Government funds, and State Aid to Nonprofits, (9) requires the UNC Board of Governors to report on the Center for Nursing, and (10) requires the Department of Health and Human Services to report on the Office of Policy and Planning, Senior Games, and Dental Supplies/Division of Public Health.

Authorizes the Appropriations Committees of the Senate and House of Representatives to review the listed funds, programs, and divisions and requires a determination of whether to

continue, reduce, or eliminate funding, subject to the continuation review program. Allows the Fiscal Research Division to give instructions to the state departments and agencies listed above regarding the expected content and format of the required reports.

AT LEAST 20% OF PARKING LOT MUST BE PERVIOUS

SECTION 6.22. New provision amends GS 143-214.7 to require at least 20% of any area designed to be used as a parking lot, except for a covered area or a multilevel area, to be pervious surface. Also amends GS 143-215.6A (a)(11) to make a violation of this requirement punishable by the Secretary of Environment and Natural Resources by a civil penalty of no more than \$25,000. Effective July 1, 2008, and applies to any area designed to be used for vehicular parking for which an application for a building permit, a zoning application, or a subdivision plat, is submitted on or after July 1, 2008.

UNIVERSITY CANCER RESEARCH FUND

SECTION 6.23. New provision enacts new GS 116-29.1 establishing the University Cancer Research Fund in the Office of the President of the University of North Carolina. Allocations from the fund must be made to UNC Hospitals at the discretion of the UNC President only for the purpose of cancer research. States the General Assembly's finding that it is imperative that the state provide a minimum of \$16 million each calendar year to the University Cancer Research Fund and, effective July 1 of each calendar year: (1) requires the unobligated balance of the funds credited to the Tobacco Trust Account in an amount not to exceed \$16 million be transferred from the Tobacco Trust Account to the University Cancer Research Fund and (2) appropriates from the General Fund to the University Cancer Research Fund an amount equal to the difference between the amount transferred and \$16 million. Authorizes the University Cancer Research Fund to also receive revenue from other sources. Requires the State Treasurer to hold the Fund separate and provides that investment earnings credited to the assets of the fund become part of the fund. Requires any balance at the end of any fiscal year to be carried forward in the fund for the next fiscal year. Effective July 1, 2008, amends GS 116-29.1(b) by deleting \$16 million each place it appears and replacing it with \$32 million. Effective July 1, 2009, amends GS 116-29.1(b) by deleting \$32 million each place it appears and replacing it with \$50 million.

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.24. New provision states the General Assembly's findings relating to NC's military heritage and states that the General Assembly provides funding for and support of the following initiatives: (1) Defense and Security Technology Accelerator; (2) Mental Health Services for Returning Veterans; (3) The Soldier Institute for Regenerative Medicine; (4) Military Morale, Welfare, and Recreation Fund; (5) National Guard Family Assistance Centers; and (6) National Guard Pension Fund.

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1. Same as 5th edition except: (1) replaces 32-step salary schedule for teachers with a 31-step salary schedule as follows: "A" teachers, \$2,975 to \$5,106 per month; National Board for Professional Teaching Standards (NBPTS) certified "A" teachers, \$3,603 to \$5,719 per month; "M" teachers, \$3,273 to \$5,617 per month; and NBPTS certified "M" teachers, \$3,964 to \$6,291 per month, and (2) deletes provision that teachers paid on step zero of the salary schedule for the 2007-08 school year are to receive a one-time, lump sum sign-on bonus of \$250 payable at the end of the school year.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2 Identical to 5th edition.

CENTRAL OFFICE SALARIES

SECTION 7.3. Same as 5th edition except: (1) Adopts salary schedule with decreased salary range for assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers (\$3,217 to \$8,113 per month) and school superintendents (\$4,594 to \$10,896 per month) and (2) decreases the scheduled July 1, 2007, annual salary

increase for all permanent full-time personnel paid from the Central Office Allotment from 4.25% to 4%.

NONCERTIFIED PERSONNEL SALARIES

SECTION 7.4. Same as 5th edition except decreases the proposed annual salary increases as follows: (1) from 4.25% to 4% for permanent, full-time, noncertified public school employees whose salaries are supported from the General Fund and (2) from 4.25% to 4% for employees employed for all or part of fiscal year 2006-07 by local boards of education and who continue their employment for 2007-08. Additionally decreases the salary range increases that the State Board of Education (SBE) may adopt for noncertified personnel to support increases for 2007-08 from 4.25% to 4%.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 7.5 Rewrites provision to provide for a one-time bonus equivalent to one and sixty-six hundredths of one percent (the average increase of the 27-30 year steps) for permanent certified personnel (1) employed during the 2006-07 school year, (2) paid on the teacher salary schedule, and (3) with 30+ years of experience. Also provides for a one-time bonus equivalent to 2% for any permanent personnel (1) employed during the 2006-07 school year and (2) paid at the top of the principal and assistant principal salary schedule during the 2006-07 school year.

Directs that the one-time bonus be adjusted pro rata for permanent part-time personnel.

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.6. Identical to 5th edition.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.7. Same as 5th edition except as follows: provides increases in the allocation formula for the base for consolidated fund allotments from \$771,111 to \$788,789 for the 2007-08 and 2008-09 fiscal years (excluding textbooks for 2007-08). Adds provision that \$784,703 of the expansion funds appropriated for small school system supplemental funding are to be distributed to county school administrative units having fewer than 1,300 students and having experienced a decline in average daily membership (ADM) since the 2001-02 school year to be used to reduce student-teacher ratios in kindergarten through grade 12.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.8. Same as 5th edition except makes changes to the teacher to student ratios used in calculating the Disadvantaged Student Supplemental Funding allotment.

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

SECTION 7.9. Identical to 5th edition.

CHILDREN WITH DISABILITIES

SECTION 7.10. Identical to 5th edition.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.11. Identical to 5th edition.

EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

SECTION 7.12. Identical to 5th edition.

LITIGATION RESERVE FUNDS

SECTION 7.13. Identical to 5th edition.

REPLACEMENT SCHOOL BUSES FUNDS

SECTION 7.14. Identical to 5th edition.

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 7.15. Identical to 5th edition.

CHARTER SCHOOL EVALUATION

SECTION 7.16. Deleted.

MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

SECTION 7.17. Identical to 5th edition.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.18. Identical to 5th edition.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.19. Same as 5th edition except adds a new provision authorizing the SBE to use up to \$850,000 of the funds appropriated to the State Public School Fund for the 2007-08 school year to establish additional Learn and Earn High Schools.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.20. Identical to 5th edition.

SMALL RESTRUCTURED HIGH SCHOOLS

SECTION 7.21 identical to 5th edition.

NC WISE POSITIONS

SECTION 7.22. Identical to 5th edition.

21ST CENTURY LITERACY COACHES

SECTION 7.23. Same as 5th edition except it deletes the requirement for hiring 60 literacy coaches and instead calls for the hiring of an unspecified number of literacy coaches for middle schools or other public schools with an 8th grade class and directs that no more than one coach be placed in each school. Also deletes the exemption that would have allowed National Board for Professional Teaching Standards (NBPTS) certified teachers to serve as coaches and remain on the NBPTS salary schedule.

MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS

SECTION 7.24. Identical to 5th edition.

ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

SECTION 7.25. Identical to 5th edition.

NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES

SECTION 7.26. Identical to 5th edition.

LEARN AND EARN ONLINE

SECTION 7.27. Identical to 5th edition.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.28. Makes the following changes to the 5th edition: (1) deletes the specific reference to the amount appropriated to support the enhancement of the technology infrastructure for public schools, (2) specifies that the SBE is to contract with an entity with existing core network capability and demonstrated success in providing network services to education institutions in NC to serve as the administrator of the School Connectivity Initiative, (3) deletes a requirement from the implementation plan for the initiative that would have required assurances from local school administrative units regarding upgrading internal school networks and providing support and instruction in the use of technology for students and teachers to improve teaching and learning, and (4) adds a requirement to the plan that it include documentation on how existing state-invested funds for technology are maximized to implement the initiative. Additionally directs that funds currently used for technology services not be supplanted by the new funds and provides guidelines for the continued use of these funds. Directs the Education Cabinet to develop a plan for implementation of E-Learning activities across the state as recommended in the February 2006 E-Learning report. Provides that up to \$300,000 may be transferred to the Office of the Governor to establish NCVirtual within the Education Cabinet to coordinate E-Learning activities across all state educational agencies. Requires the Education Cabinet to report its progress developing the plan to the Joint Legislative Education Oversight Committee and other state offices and agencies by January 1, 2008, and annually thereafter.

REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.29. Identical to 5th edition.

LEGISLATIVE STUDY ON EARLY CHILDHOOD PROGRAMS

SECTION 7.30. Deleted.

STUDY OF PUBLIC SCHOOL FUNDING FORMULAS

SECTION 7.31. Deleted.

DROPOUT PREVENTION GRANTS

SECTION 7.32. Deleted

SCHOOL SAFETY OFFICERS

SECTION 7.33. Deleted.

HIGH PRIORITY SCHOOLS

SECTION 7.34. Identical to 5th edition.

DISTANCE EDUCATION

SECTION 7.35. Identical to 5th edition.

CHILD NUTRITION OPERATING FUNDS

SECTION 7.36. Identical to 5th edition.

FUNDS FOR SCIENCE COMPETITIONS

SECTION 7.37. Deleted.

FUNDS FOR PRINCIPAL MENTORS AND FOR THE NORTH CAROLINA NETWORK FOR SCHOOL BASED MANAGEMENT

SECTION 7.38. Deleted.

PART VIII. COMMUNITY COLLEGES

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT

SECTION 8.1. Identical to 5th edition.

CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY COLLEGES

SECTION 8.2. Identical to 5th edition.

INSTRUCTIONAL RESOURCE ALLOCATION FORMULA

SECTION 8.3. Identical to 5th edition.

REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES

SECTION 8.4. Identical to 5th edition.

COMMUNITY COLLEGE FACULTY SALARY PLAN

SECTION 8.5. Identical to 5th edition.

STUDY COMMUNITY COLLEGE ACCESS

SECTION 8.6. Replaces moratorium on establishment of additional multicampus centers and study of their location with a general study of the organization of the system to provide adequate geographic access while minimizing overhead costs. The study is also to address the State Board of Community Colleges' policy and procedure for approving new programs and whether consolidation of high-cost programs at regional locations would be less costly.

COMMUNITY COLLEGE CONNECTIVITY FUNDS

SECTION 8.7. Identical to 5th edition.

STUDY OF FTE FUNDING FORMULA

SECTION 8.8. Replaces provision for study of Basic Skills Block Grant formula with direction for Fiscal Research Division, in consultation with the North Carolina Community College System, to consider modifications in college funding formulas to address enrollment increases. Study is to include recommendations for a new Basic Skills Block Grant formula, consider incorporation of funding equipment and instructional resources into FTE funding formula, and consider amendments in Instructional and Institutional Support, Base Allotment, and Enrollment Allotment formulas. Report is to be made to the Joint Legislative Education Oversight Committee (JLEOC) and the chairs of the Senate Committee on Appropriations/Base Budget and the House of Representatives Appropriations Committee by April 15, 2008.

REALIGNMENT OF STATE AID ALLOCATIONS

SECTION 8.9. Identical to 5th edition.

COMMUNITY COLLEGES FACILITIES AND EQUIPMENT FUNDS

SECTION 8.10. Deleted.

FUNDS FOR THE COMMUNITY COLLEGE MINORITY MALE MENTORING PROGRAM

SECTION 8.11. Deleted.

EDUCATION INSIGHT PROJECT EXEMPT FROM CERTAIN INFORMATION

TECHNOLOGY LAWS

SECTION 8.12. New provision exempts the Community College System and Department of Public Instruction Birth-20 Education Insight Project from State Information Technology Services statutes other than the GS 147-33.111 requirements regarding information technology security.

PART IX. UNIVERSITIES

NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH FORMULA

SECTION 9.1. Identical to 5th edition.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.2. Identical to 5th edition.

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.3. Identical to 5th edition.

BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS

SECTION 9.4. Identical to 5th edition.

BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS

SECTION 9.5. Identical to 5th edition.

GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING FACULTY IN
THE NC COMMUNITY COLLEGE SYSTEM

SECTION 9.6. Identical to 5th edition.

ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA SCHOLARS
FUND (EARN)

SECTION 9.7. Same as 5th edition except increases appropriation from the Escheat Fund to the State Education Assistance Authority from \$25 million to \$50 million for the 2007-08 fiscal year.

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

SECTION 9.8. Identical to 5th edition.

FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM

SECTION 9.9. Identical to 5th edition.

PRINCIPALS' EXECUTIVE PROGRAM

SECTION 9.10. Identical to 5th edition.

REPEAL NORTH CAROLINA PROGRESS BOARD

SECTION 9.11. Identical to 5th edition.

REVERT MOTORSPORTS CAPITAL ACCOUNT

SECTION 9.12. Identical to 5th edition.

LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS

SECTION 9.13. Deleted.

ELIMINATE CENTER FOR NURSING

SECTION 9.14. New provision repeals provisions in the General Statute, establishing the North Carolina Center for Nursing and makes conforming statutory amendments.

TRANSFER AGRICULTURAL RESEARCH STATIONS AND RESEARCH FARMS FROM
THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO UNC BOARD OF
GOVERNORS FOR NC STATE UNIVERSITY

SECTION 9.15. New provision transfers the Division of Research Stations from the Department of Agriculture and Consumer Services to the UNC Board of Governors to be allocated to North Carolina State University (NCSU) as a Type I transfer. Designates NCSU as the lead agency for all of the state's agricultural research stations and research farms. Directs NCSU to manage research stations and farms, consolidate and downsize the agricultural research stations and research farms to make them operate more efficiently and to reduce administrative costs, and consult with North Carolina Agricultural and Technical State University (NC A&T), the Department of Agriculture and Consumer Services, the Farm Bureau, and other interested parties in doing so. Directs the UNC Board of Governors to consult with NC A&T before consolidating, downsizing, or closing any agricultural research station or research farm at which NC A&T has ongoing research. Directs NCSU to report its recommendations regarding the implementation to the UNC Board of Governors by March 15, 2008. The proceeds from the sale of any agricultural research station or research farm are to be reinvested in the state's agricultural research efforts. Enacts GS 116-40.9 to allocate state-owned farm and timber lands to North Carolina State University and makes other conforming amendments.

UNC ITEMIZED BUDGET REQUEST FOR 2009-2011 FISCAL BIENNium

SECTION 9.16. New provision directs the UNC Board of Governors to submit an itemized budget request to the Director of the Budget for each of the constituent institutions for affiliated entities, and for General Administration. Specifies the content of the request, including a description and justification for each activity, accounts of expenditures, an itemized account of progress towards implementation of recommendations from the President's Advisory Committee on Efficiency and Effectiveness, an itemized account of actual cost savings and cost avoidance from this committee, and the uses of reprogrammed funds.

STATE SUPPORT FOR HIGHER EDUCATION COSTS

SECTION 9.17. New provision enacts GS 116-30.25 to require UNC General Administration to determine the approximate amount of total state support provided to students. Starting with the fall term of the 2007-08 academic year, requires each constituent institution to provide a letter to graduating students informing them of the approximate amount of state support for their education and give the graduating students an opportunity to donate to need-based scholarships. Directs the UNC president to establish a trust fund for receiving these donations, with the proceeds to be administered by the State Education Assistance Authority.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

PHYSICIAN SERVICES

SECTION 10.1. Identical to 5th edition.

LIABILITY INSURANCE

SECTION 10.2. Identical to 5th edition.

FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS ASSOCIATION

SECTION 10.3. Identical to 5th edition.

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.4. Identical to 5th edition.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.5. Same as 5th edition except revises income eligibility standards for Department of Health and Human Services (DHHS) programs, including setting out specific eligibility standards based upon family size. Sets the eligibility levels for children and adults in the Medical Eye Care Program in the Division of Services for the Blind.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.6. Identical to 5th edition.

FUNDS TO ASSIST RURAL HOSPITALS

SECTION 10.7. Deleted.

TRANSFER SHIP FUNDS TO DEPARTMENT OF INSURANCE.

SECTION 10.8. Deleted.

COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION, HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.9. Same as 5th edition, except adds to the local advisory committee's membership the director of a school-based or school-linked health center if a center is located within the relevant catchment area.

COMPREHENSIVE TREATMENT SERVICES PROGRAM/ESTABLISHMENT OF TASK FORCE ON THE COORDINATION OF CHILDREN'S SERVICES

SECTION 10.10. Identical to 5th edition.

SENIOR CENTER OUTREACH

SECTION 10.11. Identical to 5th edition.

QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT CARE HOMES

SECTION 10.12. Identical to 5th edition.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.13. Same as 5th edition except deletes the \$30 increase in the maximum monthly rate for residents in adult care home facilities that was to take effect October 1, 2007.

SPECIAL ASSISTANCE IN-HOME

SECTION 10.14. Identical to 5th edition.

CHILD CARE SUBSIDY RATES

SECTION 10.15. Identical to 5th edition.

CHILD CARE ALLOCATION FORMULA

SECTION 10.16. Identical to 5th edition.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.17. Identical to 5th edition.

CHILD CARE REVOLVING LOAN

SECTION 10.18. Identical to 5th edition.

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 10.18A. New provision requiring DHHS, not later than October 1, 2007, to adjust child care market rates, by region, based upon the 2007 Child Care Market Rate Study. Specifies amount of adjustment, by region, for child care center- and home-based rates.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.19. Identical to 5th edition.

EQUAL ALLOCATIONS FOR EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES

SECTION 10.19A. New provision requiring specified funds allocated for fiscal years 2007-2009 to DHHS, Division of Child Development, for the North Carolina Partnership for Children, Inc., to be allocated equally in each fiscal year among counties whose percent of need funded is below 50 percent.

NCPC PERSONNEL RECORD PROTECTION

SECTION 10.19B. New provision amends GS 143B-168.12 and GS 143B-168.14 (pertaining to early childhood initiatives) to permit the North Carolina Partnership for Children, Inc., and local partnerships, to provide for confidentiality of personnel files.

EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH HEARING AND VISUAL IMPAIRMENTS

SECTION 10.20. Same as 5th edition except provides that the report required by this section must be submitted to specified legislative committees and to FRD by April 1, 2008 (prior version required that the report be submitted to the General Assembly).

EARLY INTERVENTION SERVICES REPORT

SECTION 10.21. Same as 5th edition except designates a portion of the funding for the Child Development Service Agency as a nonrecurring appropriation for the 2007-2008 and 2008-2009 fiscal years. Also directs DHHS Division of Public Health to engage in vigorous efforts to collect additional Medicaid and other third-party reimbursements from clients and their families and to report on these efforts to legislative committees on health and human services and FRD by March 1, 2008.

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.22. Same as 5th edition except reduces the amount to be allocated by DHHS to the Community-Focused Eliminating Health Disparities Initiative in 2007-08 to \$2,352,468 (was \$2.75 million). Reduces the amount deposited into the newly established Minority Health Initiative fund to \$352,468 (was, \$750,000). Makes technical changes.

FUNDS FOR SCHOOL NURSES

SECTION 10.23. Same as 5th edition except directs DHHS to allocate \$2.1 million (was, \$4 million) in 2007-08 and \$3.1 million (was, \$4 million) in 2008-09 for the school nurse initiative.

PUBLIC HEALTH FUNDS TO AID COUNTIES

SECTION 10.24. Deleted.

HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND PLAN

SECTION 10.25. Identical to 5th edition.

FUNDS FOR HEALTH CARE IN HONOR OF THE MEMORY OF SENATOR JEANNE H. LUCAS

SECTION 10.25A. New provision directs DHHS Division of Public Health to allocate funds appropriated for the Eliminating Health Disparities Initiative, the Breast and Cervical Cancer Control Program, and the Purchase of Medical Care for Cancer Treatment to a special fund established for these purposes. Provides that funds are appropriated to honor the memory of Senator Jeanne H. Lucas.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.26. Identical to 5th edition.

DISEASE PREVENTION PROGRAMS

SECTION 10.27. Permits DHHS to use funds appropriated to DPH for HIV prevention for services that will further the purpose of communicable disease prevention, including community-based safe syringe programs. Enacts new GS 130A.150 permitting the State Health Director to designate up to three local health department applicants to develop and implement safe syringe programs, if the applicant submits letters of support from designated parties. Excludes employees, volunteers, or participants in a clean-syringe-safe-syringe program from

prosecution for possession of drug paraphernalia or the manufacture or delivery of drug paraphernalia while carrying out duties of or participating in the program.

FUNDS FOR UNC SCHOOL OF MEDICINE OASIS PROGRAM

SECTION 10.27A. Deleted.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.28. Identical to 5th edition.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.29. Identical to 5th edition.

CHILD CARING INSTITUTIONS

SECTION 10.30. Identical to 5th edition.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.31. Identical to 5th edition.

LIMITATION ON STATE ABORTION FUND

SECTION 10.32. Identical to 5th edition.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE

ENHANCEMENTS

SECTION 10.33. Identical to 5th edition.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.34. Deleted.

TANF BENEFIT IMPLEMENTATION

SECTION 10.35. Identical to 5th edition.

CLARIFY REVIEW AND SUBMISSION PROCESS FOR TANF STATE PLAN

SECTION 10.35A. New provision amends GS 108A-27.9 to revise the process under which DHHS submits the biennial Temporary Assistance for Needy Families state plan to the General Assembly. Directs DHHS first to consult with local government and private sector organizations regarding the plan and then to submit the plan to legislative committees on health and human services (under prior law the order was reversed). Amends GS 108A-27-10 to require the Director of the Budget to approve and recommend adoption of the plan by May 15 of odd-numbered (was, even-numbered) years.

MEDICAID

SECTION 10.36. Same as 5th edition except for the following changes: (1) Permits DHHS to depart from policy governing Medicare crossover claims when policy would adversely affect patient care, (2) Requires DHHS to impose prior authorization on personal care services, (3) Expands medically necessary prosthetics or Orthotics to all patients, not just children, (4) Allows DHHS to impose prior authorization requirements or other restrictions on medications prescribed for Medicaid recipients for the treatment of mental illness or HIV/AIDS, but only when specified conditions are met, (5) Provides that reimbursement is available for up to 30 visits per recipient per fiscal year for specified services and directs DHHS to establish a threshold number of visits for each service, (6) Amends provisions governing when DHHS may adopt temporary or emergency rules.

MEDICAID COST-CONTAINMENT ACTIVITIES

SECTION 10.37. Identical to 5th edition.

COUNTY MEDICAID COST-SHARE

SECTION 10.38. Identical to 5th edition.

DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS

SECTION 10.39. Identical to 5th edition.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.40. Same as 5th edition except reduces the appropriation from the Medicaid Special Fund to DHHS in each year of the 2007-09 biennium from \$53 million to \$43 million.

REQUIRED DATA SHARING BY PRIVATE INSURERS

SECTION 10.40A. New provision amends GS 108A-55.4 to amend the rules requiring private insurers to share policyholder data so that DHHS Division of Medical Assistance may determine the insurance status of current or former applicants for, or recipients of, medical assistance benefits. Specifies data that must be shared upon request of the Division or any contracted parties working on behalf of DHHS.

LIMITATION ON PROVIDER INCREASES

SECTION 10.40B. New provision directs DHHS to grant providers either a rate increase or an inflationary increase, whichever is less, in the event funds are appropriated for both purposes.

TRANSFER OF ASSETS PERMANENT RULE EFFECTIVE DATE

SECTION 10.40C. New provision establishes that DHHS rule 10A NCAC 21B .0314 (Waiver of Transfer of Assets Penalty Due to Undue Hardship) becomes effective when the act becomes law.

MMIS CAPABILITIES

SECTION 10.40D. New provision directs DHHS, when contracting for a new or redesigned Medicaid Management Information System, to ensure that the system meets specified requirements. Directs DHHS to report to legislative committees on health and human services and FRD on the date and implementation of the new system by May 1, 2008.

CRITICAL ACCESS PHARMACY SUPPLEMENTAL PAYMENTS

SECTION 10.40E. New provision directs DHHS Division of Medical Assistance (DMA) to use \$2,260,000 of funds appropriated for 2007-08, and \$2,680,000 of funds appropriated for 2008-09, to provide supplemental payments to critical access pharmacies as defined by DMA. Requires DMA to develop a methodology for identifying such pharmacies and providing supplemental payments. Establishes formula for determining the amount of supplemental payments.

PILOT PROGRAM/MEDICAID DUAL ELIGIBLE SPECIAL NEEDS PLAN

SECTION 10.40F. New provision directs DHHS Division of Medical Assistance to evaluate and establish a pilot program in between two and four regions of the state to offer nursing facility certifiable dual eligible Medicaid recipients services through a Special Needs Plan (SNP). Establishes requirements for the SNP and criteria for selecting regions for the pilot program. Requires DHHS to report on the pilot program by May 1, 2008, to legislative committees and DFR.

IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT PROGRAM

SECTION 10.41. Identical to 5th edition.

DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE RECOVERY PLAN

SECTION 10.42. Deleted.

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.43. Identical to 5th edition.

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS

REIMBURSEMENT SYSTEM

SECTION 10.44. Identical to 5th edition.

FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME

SECTION 10.45. Directs DMA, subject to approval from the Centers for Medicare and Medicaid Services, to develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD (Community Alternatives Program for Mental Retardation and Developmentally Disabled) Program and the CAP-C (Community Alternatives Program for Children). Identifies considerations to be taken into account in computing the cost-sharing schedule. Requires DMA to report on savings realized from cost-sharing by March 1, 2009, to various legislative committees. Effective July 1, 2008, for children enrolled in CAP-MR/DD and CAP-C on or after that date. For currently-enrolled recipients, effective at the recipient's first certification period following July 1, 2008. Previous revision required DMA to study the feasibility of imposing an income based cost-sharing requirement under the Cap-MR/DD program and the CAP-C.

CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID RECIPIENTS

SECTION 10.46. Identical to 5th edition.

NC HEALTH CHOICE ENROLLMENT

SECTION 10.47. Same as 5th edition except permits DHHS to allow up to 6% enrollment growth annually in the NC Health Choice Program (was, 3% enrollment growth every 6 months). Bases the cap in enrollment growth on the month of highest Program enrollment in the prior fiscal year.

NC KIDS' CARE STUDY

SECTION 10.48. Directs DHHS Division of Medical Assistance to determine the most cost-efficient and cost-effective method for implementing a limited benefit medical assistance program (NC Kids' Care). Establishes criteria to be followed in developing the program. Requires DHHS to report its findings and recommendations to legislative committees on health and human services and to FRD by April 1, 2008. Previously required the development and implementation of NC Kid's Care.

IN-HOME SERVICES RATE ADJUSTMENT

SECTION 10.48A. Deleted.

BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.

SECTION 10.49(a-d). Same as 5th edition except requires that, of the funds allocated for regionally funded, locally hosted substance abuse services, \$571,061 for 2007-08, and \$736,061 for 2008-09 must be allocated to residential substance abuse programs with a vocational component. Also requires DMH/DD/SAS to coordinate with LMEs in developing purchasing mechanism.

SECTION 10.49(e). Same as 5th edition except removes requirement that DMH/DD/SAS allocate \$4 million for each year of the biennium to specific substance abuse programs. Also removes the requirement that the LME consult with TASC in providing treatment and services.

SECTION 10.49(f). Same as 5th edition except provides that LMEs are required to work with local health departments and sheriffs to provide medical assessments and medication only within available state and county resources.

ADDITIONAL HOUSING ASSISTANCE.

SECTION 10.49(g-h). Same as 5th edition except permits DHHS Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) to transfer funds appropriated for operating cost subsidies for independent- and supportive- living apartments for individuals with disabilities to the North Carolina Housing Finance Agency (NCHFA). Also permits funds in excess of those necessary to finance independent supportive living apartments for people with disabilities to be used to subsidize other apartments for such individuals. Modifies reporting requirements applicable to DHHS and North Carolina Housing Finance Agency. Limits amount of appropriated funds that may be used to administer subsidies and for evaluation and reporting requirements to \$150,000.

SECTION 10.49(i-l). Same as 5th edition except deletes requirement that LMEs are responsible for the delivery of case management for recipients of State-County Special Assistance In-Home services who have a mental illness, developmental disability, or substance abuse disorder and are within the target populations for those disabilities. Provides that LMEs may directly provide case management and may bill for the services provided.

CRISIS AND ACUTE CARE SERVICES.

SECTION 10.49(m-q). Provides that the \$14,137,857 appropriated for crisis services in each fiscal year (was, \$4 million each fiscal year) to DMH/DD shall be allocated to LMEs to continue to implement crisis plans. Directs DHHS to consider the impact of the closure of any state institution on each LME in allocating funds. Permits DHHS to allocate up to \$250,000 to extend its contract with the crisis services consultant. Removes the requirement that LME's work with sheriffs and county public health agencies to serve incarcerated individuals in need of crisis services.

SECTION 10.49(r). Identical to 5th edition.

SECTION 10.49(s1-s5). Same as 5th edition except increases the amount allocated to develop pilot programs to \$2.5 million in 2007-2008 and \$5 million in 2008-2009. Expands pilot program to 18 months and requires DHHS to select at least 3 participating LMEs. Modifies reporting requirements.

SECTION 10.49(t). Same as 5th edition except requires the Secretary of Health and Human Services to provide a copy of any hospital closure plan to each member of the General Assembly.

SECTION 10.49(u). Same as 5th edition except deletes provisions regarding use of funds derived from savings due to reductions in beds or services.

USE OF MENTAL HEALTH TRUST FUNDS.

SECTION 10.49(v-x). Same as 5th edition except adds requirement that additional savings in the 2007-09 biennium be used to fund the State's contribution for LME system administration. Also permits the Secretary of Health and Human Services, if funds from specified sources are insufficient, to use funds from other available sources to support new positions in the Julian F. Keith Alcohol and Drug Abuse Treatment Center.

STRENGTHEN THE SERVICES NETWORK.

SECTION 10.49(y-aa). Same as 5th edition except reduces from four to two the number of additional LMEs to be designated by DHHS to receive all State allocations through single stream funding. Also requires DHHS to develop clear standards for how an LME qualifies for single stream funding and to award single stream funding to any other LME that meets those standards within the 2007-09 biennium.

FILLING SERVICE GAPS.

SECTION 10.49(bb-ee). Same as 5th edition except rewrites provisions requiring DHHS to tier the rates for the service of community supports based on the level of qualifications of the individuals delivering the services and the types of services being delivered by these individuals. New provisions require DHHS immediately to conduct an in-depth evaluation of the use and cost of community support services to identify existing and potential areas of overutilization and overexpenditure. Requires DHHS to adopt or revise management policies and practices to meet specified standards and to report on its activities by November 1, 2007 (regarding community support services determined to be appropriate) or March 1, 2008 (regarding implementation of required policies and practices) to various legislative committees. Prohibits DHHS from extending or entering new contracts with an outside vendor to provide utilization review for behavioral health services until after DHHS has satisfied specified requirements.

LME ADMINISTRATIVE FUNDING.

SECTION 10.49(ff). Identical to 5th edition.

SECTION 10.49(gg) New provision declares the General Assembly's intent to eliminate the deficit in State funding for LME system administration in future years through savings from hospital downsizing.

SECTION 10.49(hh). New provision amends GS 122C-115.4 to prohibit the Secretary of Health and Human Services from designating another entity as eligible to implement any of the primary functions of LMEs unless specified criteria are satisfied.

SECTION 10.49(ii). New provision requires the State Auditor to conduct performance audits on LME billing and STR (screening, triage, and referral) functions, focusing on those LMEs identified as not meeting their primary functions, and to report the findings and recommendations to the 2009 General Assembly.

SECTION 10.49(jj) New provision requires DHHS to use available funds not to exceed \$250,000 in each fiscal year to contract with the University of North Carolina at Chapel Hill, Kenan Flagler Business School, to provide administrative training to local management entities.

SECTION 10.49(kk). New provision requires DHHS, in allocating funds to LMEs for administrative costs, to ensure that each LME receives not less in service dollars than that LME expended for services in 2006-07.

DEVELOPMENTAL CENTER DOWNSIZING

SECTION 10.50. Identical to 5th edition.

DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.51. Identical to 5th edition.

SERVICES TO MULTIPLY DIAGNOSED ADULTS

SECTION 10.52. Identical to 5th edition.

DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL REGIONAL HOSPITAL

SECTION 10.53. Same as 5th edition except provides that, of funds allocated to DHHS for Broughton Hospital, up to \$250,000 may be used to purchase a CT scanner.

INSTITUTE OF MEDICINE TASK FORCE/STUDY OF SUBSTANCE ABUSE SERVICES IN NORTH CAROLINA

SECTION 10.53A. New provision directs the North Carolina Institute of Medicine (IOM) to use \$300,000 of allocated funds to hire new staff, undertake additional studies, and support a rapid-response capacity to analyze secondary data sources. Directs IOM to convene a task force to study substance abuse services. Describes composition and responsibilities of the task force and requires it to submit an interim report and recommendations to the 2008 General Assembly, to specified legislators, and to the Governor. Requires the final report to be submitted no later than the convening of the 2009 General Assembly, at which time the task force terminates.

FUNDS FOR HEALTH CARE PERSONNEL REGISTRY POSITIONS CONTINGENCY

SECTION 10.54. Deleted.

FUNDS FOR PUBLIC AVAILABILITY TO INSPECTION REPORTS

SECTION 10.54A. Deleted.

DHHS BLOCK GRANTS

SECTION 10.55(a). Identical to 5th Edition except as follows:

(TANF) BLOCK GRANT: (1) Reduces the appropriation to the Division of Social Services for Work First Family Assistance (Cash Assistance) to \$94,857,234; (2) Increases the appropriation to the Division of Social Services for Work First – Boys and Girls Clubs to \$2 million; (3) Appropriates \$450,000 to the Division of Public Health for Teen Pregnancy Prevention Initiative.

SOCIAL SERVICES BLOCK GRANT: Increases appropriation for the Division of Aging and Adult Services to \$658,674.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT: Corrects total child care and development fund block grant to \$283,865,566.

GENERAL PROVISIONS

SECTION 10.55(b). Identical to 5th edition.

SECTION 10.55(c). Identical to 5th edition.

SECTION 10.55(d). Identical to 5th edition.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.55(e-o). Identical to 5th edition.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.55(p-u). Identical to 5th edition.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.55(v). Identical to 5th edition.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.55(w-y). Identical to 5th edition.

MENTAL HEALTH BLOCK GRANT

SECTION 10.55(z-aa). Identical to 5th edition.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.55(bb)-(cc). Deletes subsection (bb) from 5th edition and renumbers subsections (cc) and (dd) as (bb) and (cc).

SECTION 10.55(cc). Identical to 5th Edition Section 10.55(dd).

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SALE OF TIMBER

SECTION 11.1. Identical to 5th edition.

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 11.2. Modified and moved to Section 13.14A.

TOBACCO TRUST ACCOUNT INTERCEPT TO SUPPORT CERTAIN GENERAL FUND

APPROPRIATIONS

SECTION 11.3. Deleted.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK PROGRAM ADMINISTRATIVE COSTS

SECTION 12.1. Identical to 5th edition.

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND

SECTION 12.2. Identical to 5th edition.

RECEIPTS CREDITED TO NORTH CAROLINA AQUARIUMS FUND

SECTION 12.3. Deleted.

NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY EQUIPMENT

SECTION 12.4. Identical to 5th edition.

GRASSROOTS SCIENCE PROGRAM

SECTION 12.5. Same as the 5th edition except increases the amount allocated from the Grassroots Science Program as grants-in-aid for 2007-08 from \$3,197,763 to \$3,381,340 and adds an allocation for 2008-09 in the amount of \$3,381,340. Modifies the amounts allocated to each listed museum or center and adds and removes museums and centers from the list. Removes the additional allocation of \$125,000 to the Natural Science Center of Greensboro. In addition to the 2008 report, requires the Department of Environment and Natural Resources (DENR) to report to the Fiscal Research Division by March 1, 2009, the following information for each museum that receives funds: (1) the operating budget for the 2007-08 fiscal year, (2) the operating budget for the 2008-09 fiscal year, and (3) the total attendance at the museum during the 2008 calendar year. Requires the Fiscal Research Division to study the formula used to calculate the allocations for members of the Grassroots collaborative and report its findings for revising this formula to be used for the 2008-09 fiscal year to the Appropriations Subcommittees on Natural and Economic Resources in both the Senate and the House of Representatives by January 15, 2008.

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.6. Modified and moved to Section 27.13.

CAP WILDLIFE RESOURCES FUND ANNUAL SALES TAX RECEIPTS

SECTION 12.7. Deleted.

RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND

SECTION 12.8. Identical to 5th edition.

PART XIII. DEPARTMENT OF COMMERCE

ONE NORTH CAROLINA FUND

SECTION 13.1. Identical to 5th edition.

NC GREEN BUSINESS FUND

SECTION 13.2. Same as 5th edition except establishes the NC Green Business Fund as a special revenue fund (was, a revolving loan fund). Authorizes the Department of Commerce (DOC) to make grants (was, no-interest loans) from the fund. Authorizes DOC to make grants (was, must make no-interest loans) within the three priority areas. Clarifies that grants may be made to assist in the development and growth of a market for environmentally conscious and energy-efficient green building processes. Makes conforming changes to GS 143B-437.5, GS 143B-437.6, and GS 143B-437.7. Modifies proposed GS 143B-437.8 to provide that grants to non-state entities through the NC Green Business Fund are subject to the oversight and reporting requirements of GS 143C-6-23 (State grant funds administration, oversight and reporting requirements). Makes conforming changes to GS 143B-437.8. Amends GS 150B-1(d) to exempt from rule-making DOC's development of guidelines for the NC Green Business Fund. Provides that of the funds appropriated to the NC Green Business Fund, DOC may use up to \$50,000 to cover expenses in administering the fund.

EXECUTIVE AIRCRAFT/USES

SECTION 13.3. Identical to 5th edition.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.3A. New provision directs that funds appropriated to the Department of Commerce (DOC) for 2006-07 for the Wanchese Seafood Industrial Park that are unexpended and unencumbered as of June 30, 2007, do not revert and instead remain available to the Wanchese Seafood Industrial Park for operations, maintenance, repair, and capital improvements. Provides that funds appropriated to DOC for 2006-07 for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2007, do not revert but remain available to the Wanchese Seafood Industrial Park for securing adequate channel maintenance of the Oregon Inlet and for operations, maintenance, repair, and capital improvements. Provides that the funds are in addition to funds available to the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements. Effective June 30, 2007.

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.4. Identical to 5th edition.

INDUSTRIAL COMMISSION STRATEGIC PLAN/REPORT

SECTION 13.4A. New provision amends GS 97-78 as follows: (1) requires the North Carolina Industrial Commission to prepare and implement a strategic plan by September 1, 2007, that tracks compliance with the provisions related to termination or suspension of compensation benefits and for expeditiously resolving requests for, or disputes involving, medical compensation under GS 97-25; (2) requires the commission to demonstrate its success in implementing its strategic plan by including specified information in its annual report; (3) requires the commission's annual report to be published for free distribution by March 1 of each year (previously did not include a deadline); and (4) requires the commission to submit the annual report to the Joint Legislative Commission on Governmental Operations no later than March 1 of each year.

NORTH CAROLINA CENTER FOR AUTOMOTIVE RESEARCH/FUNDS SHALL NOT REVERT

SECTION 13.5. Deleted.

COUNCIL OF GOVERNMENT FUNDS

SECTION 13.6. Same as 5th edition except removes the amount authorized to be used to assist local governments in specified activities for the 2008-09 fiscal year and decreases the amount authorized for the 2007-08 fiscal year from \$832,150 to \$790,551. Reduces the amount allocated to each regional council of government or lead regional organization for 2007-08 from \$48,950 to \$46,503.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7. Same as 5th edition except replaces the term *enterprise factor* with *development factor* and removes the 2008-09 fiscal year sums from the calculations. Allows each regional economic development commission to use up to 50% of the funds allocated for administrative purposes; the remaining 50% of the funds allocated must be used only for expenditures related to: (i) marketing efforts aligned with the state's overall economic development and marketing strategies, (ii) economic development grants to counties and municipalities that are located within the region served by the commission, and (iii) activities directly related to the implementation of the commission's vision plan. Requires the Department of Commerce to report on implementation of the provisions of GS 158-8.6 (developing uniform standards for the use of state funds related to accounting procedures, personnel practices, and purchasing and contracts procedures) to the chairs of the House of Representatives and Senate Appropriations Subcommittees on Natural and Economic Resources, the Office of State Budget and Management, and the Fiscal Research Division by September 1, 2007. The report must include a detailed plan to address any impediments to the development of uniform standards for the commissions. Also amends GS 158-8.5 to require the annual report from the commissions to include (1) a demonstration of the commission's efforts to obtain funds from local, private, and federal sources and (2) the preceding fiscal year's itemized expenditures, reported separately for each funding source.

REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS

SECTION 13.8. Deleted.

KERR-TAR REGIONAL ECONOMIC DEVELOPMENT CORPORATION/REPORTING REQUIREMENTS

SECTION 13.9. Deleted.

BIOTECHNOLOGY CENTER

SECTION 13.10. Identical to 5th edition.

NONPROFIT REPORTING REQUIREMENTS

SECTION 13.11. Identical to 5th edition.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.12. Same as 5th edition except reduces the amount allocated from community development grants to support development projects and activities within the state's minority communities to direct grants to local community development corporations from \$1,047,410 to \$997,410. Removes the provision allocating \$25,000 to the Cooper Help Center and \$150,000 to the EBC-ATOM project.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 13.13. Same as 5th edition except removes the provision providing that the funds appropriated to the Rural Economic Development Center are to be recurring.

RURAL ECONOMIC DEVELOPMENT CENTER FUNDS

SECTION 13.14. Identical to 5th edition.

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 13.14A. Same as Section 11.2 in the 5th edition except allocates \$500,000 for 2007-08 from the funds appropriated to the Rural Economic Development Center to the Agricultural Advancement Consortium to assess the value of the equine industry in North Carolina, analyze the impact of the industry on the state's economy, and develop a plan to maximize the economic opportunities presented by the industry (previously, there was no money allocated and the Department of Agriculture and Consumer Services was to conduct the study). Requires the consortium to complete its work within 12 months of the funds becoming available (was, no later than January 15, 2009) and requires a report of the assessment to be filed with the chairs of various legislative committees. Removes the requirement of consulting with equine industry stakeholders before developing the plan.

OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS

SECTION 13.15. Identical to 5th edition.

E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS

SECTION 13.16. Identical to 5th edition.

WOW E-COMMUNITY DEVELOPMENT CORPORATION PILOT PROGRAM FUNDS

SECTION 13.17. Deleted.

NER BLOCK GRANTS

SECTION 13.18. Identical to 5th edition.

PART XIV. JUDICIAL DEPARTMENT

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 14.1. Identical to 5th edition.

GRANT FUNDS

SECTION 14.2. Identical to 5th edition.

NORTH CAROLINA STATE BAR FUNDS

SECTION 14.3. Identical to 5th edition.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS/ESTABLISHMENT OF ADDITIONAL PUBLIC DEFENDER OFFICES

SECTION 14.4. Subsection (a) is identical to the 5th edition and the remaining subsection adds the following new provisions. Allows Office of Indigent Defense Services (IDS) to use up to \$1,570,057 during 2008-09 to establish additional public defender offices, but no more than \$225,000 may be used for positions in IDS directly related to facilitating the establishment of these offices. In addition to these new offices, funds from the Indigent Persons Attorney Fee Fund are directed to be used as follows: (1) \$1,335,543 for 2007-08 and \$1,264,679 for 2008-09 to establish Public Defender District 5 (New Hanover County); and (2) \$788,264 for 2007-08 and \$742,477 for 2008-09 to establish Public Defender District 29B (Henderson, Polk, and Transylvania Counties).

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 14.5. Same as 5th edition except adds requirements that reports address recommendations regarding regional public defender offices and measures taken to ensure that attorneys are paid correct amounts.

INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 14.6. Identical to 5th edition.

REPORT ON BUSINESS COURTS

SECTION 14.7. Identical to 5th edition.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 14.8. Identical to 5th edition.

DISPUTE RESOLUTION FEES

SECTION 14.9. Identical to 5th edition.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 14.10. Identical to 5th edition

DRUG TREATMENT COURT FUNDS

SECTION 14.11. Deleted.

DRUG TREATMENT FUNDS NEED NOT BE GRANTED

SECTION 14.12. Identical to 5th edition.

ADDITIONAL DISTRICT COURT JUDGES

SECTION 14.13. Deleted.

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS

SECTION 14.14. Deleted.

STUDY AVAILABILITY OF PROSECUTORIAL RESOURCES TO DISTRICT ATTORNEYS AND THE MANAGEMENT AND USE OF THOSE RESOURCES BY DISTRICT ATTORNEYS

SECTION 14.15. Deleted.

STATE FUNDS NOT TO BE USED FOR TELEPHONE SERVICE

SECTION 14.16. New provision amends GS 7A-302 to provide that local governments must provide properly functioning telephones and telephone infrastructure for district courts, juvenile court counselors, and support staff, effective July 1, 2008.

OFFICE OF INDIGENT DEFENSE SERVICES/ELECTRONIC FEE SUBMISSION

SECTION 14.17. New provision directs IDS to (1) study the potential for a statewide system of electronic fee submission and develop a proposal for its implementation and (2) include a report on this in its annual reports.

REPORT ON COURT SYSTEM PERFORMANCE MEASURES

SECTION 14.18. New provision directs the Administrative Office of the Courts to develop and implement a system of uniform performance measures and standards for caseload management and resource allocation, including funding, personnel, technology, and equipment at district and county levels. Requires an interim status report by December 31, 2007, and a final report by May 1, 2008, to the Joint Legislative Commission on Government Operations and the chairs of the Senate and House Appropriations Committees.

THE OFFICE OF INDIGENT DEFENSE SERVICES MAY COMPENSATE ATTORNEYS FOR CERTAIN FILINGS

SECTION 14.19. New provision amends GS 7A-451(b) to extend entitlement to services of counsel for: (1) in capital cases, review on direct appeal by the Supreme Court of North Carolina pursuant to certiorari jurisdiction of the U.S. Supreme Court; and (2) in noncapital cases, review on direct appeal by a court of the North Carolina Appellate Division pursuant to the certiorari jurisdiction of the U.S. Supreme Court when the judgment decides an important question of federal law or challenges a ruling in the indigent's favor. Amends GS 7A-498.8(b) to provide that the appellate defender may serve as counsel of record for indigent defendants on appeals of North Carolina appellate court decisions in the U.S. Supreme Court.

ALLOW JURORS TO WAIVE PAYMENT OF PER DIEM FEES AND ALLOW THOSE FUNDS TO BE USED TO PROVIDE HUMAN SERVICES WITHIN THAT DISTRICT

SECTION 14.20. New provision amends GS 7A-312 to authorize jurors to waive payment of per diem fees and designate use of the waived fees for the following services, if provided within the district: (i) client treatment and service programs associated with a drug treatment or DWI treatment court program; (ii) courthouse self-help centers; (iii) courthouse child care centers; (iv) legal aid programs operated by a nonprofit corporation operating within the district; and (v) the Crime Victims Compensation Fund. If none of these services are provided within the district, the waived fees are transferred to the Crime Victims Compensation Fund. Effective July 1, 2007, and applicable to jury service that begins on or after that date.

AUTHORIZE A TRAVEL ALLOWANCE FOR APPELLATE JUDGES WHO RESIDE FIFTY MILES OR MORE FROM RALEIGH

SECTION 14.21. New provision amends GS 7A-10 and 7A-18 to allow justices and appellate judges whose permanent residence is at least 50 miles from Raleigh to be paid a weekly travel allowance each week the judge travels to Raleigh for court business. Allowance is based on round-trip mileage and the standard mileage rate set by the Internal Revenue Service.

APPORTIONING OF COURT SYSTEM PERSONNEL THROUGH A WORKLOAD FORMULA

SECTION 14.22. New provision amends GS 7A-60(a1) to provide that the number of full-time assistant district attorneys assigned to prosecutorial districts is to be based on a

workload formula adopted by the Conference of District Attorneys. Amends GS 7A-102(a) to provide that the numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court must be determined by a workload formula adopted by the Conference of Clerks of Superior Court, but the allocation of deputy and assistant clerks on January 1, 2007, must not be reduced without prior consent of the clerk concerned. Amends GS 7A-132 to provide that the numbers of district court judges for each district must be set by a workload formula adopted by the Board of Governors of the Association of District Court Judges, with the General Assembly setting the procedures for the initial election of district court judges established under that formula. Amends GS 7A-133(a) to provide that the table of judges by districts set forth establishes the minimum number of judges for each district. Amends GS 7A-133(c) to provide that each county will have the numbers of magistrates determined by a workload formula adopted by the North Carolina Magistrates' Association. In all instances the formulas are to be recommended to the Administrative Officer of the Courts. Amends GS 7B-1200 to provide that the number of guardian ad litem program coordinators is to be set by a workload formula adopted by the Administrative Officer of the Courts.

EXPAND COURT-FUNDED INTERPRETER AUTHORITY

SECTION 14.23. New provision amends GS 7A-314(f) to allow court-appointed interpreters when necessary to assist the court in the efficient transaction of business.

ADD THREE SPECIAL SUPERIOR COURT JUDGES

SECTION 14.24. New provision amends GS 7A-45.1 to allow the Governor to appoint three special superior court judges to five-year terms. Successors to these judges are also appointed to five-year terms. Provides that these judges need not reside in a particular district. Effective January 1, 2008.

STUDY DIVIDING SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 24 INTO DISTRICTS 24A AND 24B

SECTION 14.25. New provision directs the Administrative Office of the Court to study dividing superior court, district court, and prosecutorial Districts 24 into Districts 24a and 24b and report its recommendation to the General Assembly by March 1, 2008.

PART XV. DEPARTMENT OF JUSTICE

STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT (SAFIS) REPORTS

SECTION 15.1. Identical to 5th edition.

PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES

SECTION 15.2. Identical to 5th edition.

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 15.3. Identical to 5th edition

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 15.4. Identical to 5th edition.

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 15.5. Identical to 5th edition.

NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED

SECTION 15.6. Identical to 5th edition.

HIRING OF SWORN STAFF POSITIONS FOR THE STATE BUREAU OF INVESTIGATION

SECTION 15.7. New provision limits hiring sworn personnel to fill vacant positions in the State Bureau of Investigation to the following circumstances: (1) the position's regular responsibilities involve warrant executions, property searches, criminal investigations, or arrest activities that are consistent in frequency with the responsibilities of other sworn agents; (2) the position is a promotion for a sworn agent who was employed at the Bureau prior to July 1, 2007; (3) the position is a forensic drug chemist or a forensic impressions analyst responding to clandestine methamphetamine laboratories as a primary duty; or (4) the position primarily involves supervising sworn personnel.

ACTIONS TO REDUCE MEDICAID FRAUD

SECTION 15.8. New provision incorporates provisions of S. 179, introduced 2/15/07. Effective December 1, 2007.

PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM

SECTION 16.1. Identical to 5th edition.

NEW ALE NON-SWORN JOB CLASSIFICATION

SECTION 16.2. Identical to 5th edition.

ALTERNATIVE FUNDING SOURCE STUDY FOR THE GEOSPATIAL AND TECHNOLOGY
MANAGEMENT PROGRAM

SECTION 16.3. Same as 5th edition except deletes the requirement that the Department of Crime Control and Public Safety study alternative funding sources for the operating costs of the Law Enforcement Support Services Program.

NC NATIONAL GUARD KIDS ON GUARD REPORT

SECTION 16.4. Deleted.

USE OF GANG PREVENTION FUNDS

SECTION 16.5. Same as 5th edition except reduces the amount of the funds appropriated to the Department of Crime Control and Public Safety, Governor's Crime Commission, to be used to provide grants for street gang violence prevention, intervention, and suppression programs (was, violence prevention and intervention programs) from \$4,760,195 to \$3 million for 2007-08.

Requires the Governor's Crime Commission to report on the program to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety (removes the Fiscal Research Division) by April 15, 2008 (was, the commission must report on the use of funds by April 1, 2008) and sets the required report contents.

REPORTS ON THE EXPANSION OF THE ALCOHOL LAW ENFORCEMENT DIVISION'S
AUTOMATED SYSTEMS

SECTION 16.6. New provision requires the Department of Crime Control and Public Safety to report on the status of the expansion of the Alcohol Law Enforcement Division's automated systems for administrative and field processes to the chairs of various legislative committees by February 1 and May 1, 2008. Lists subjects that must be included in the report.

STUDY GANG ACTIVITY

SECTION 16.8. New provision requires the Governor's Crime Commission to study gang activity in North Carolina. Specifies actions that must be taken in the study. Requires the commission to report the study's findings by March 15, 2008, to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety.

PART XVII. DEPARTMENT OF CORRECTION

MUTUAL AGREEMENT PAROLE PROGRAM

SECTION 17.1. Identical to 5th edition.

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 17.2. Identical to 5th edition.

ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT

SECTION 17.3. Same as 5th edition except requires the report to: (1) include utilization of the DART/DWI program (was utilization of and completion rates for the DART/DWI program, including a report of the status of the aftercare program); (2) include statistical information on the number of substance abuse treatment slots (was, the number of inmates receiving treatment); and (3) include improvements in disciplinary and infraction rates in the evaluation of each substance abuse treatment program funded by the Department of Correction (DOC). Requires the DOC's 2007-09 evaluation to focus on evaluating the long-term residential programs (was, long-term residential therapeutic communities). Requires the evaluation component of the March 1, 2008, annual report to primarily be a status report (was, be a status report) and provide only preliminary information (was, preliminary information) on the evaluation of the residential program.

INMATE CONSTRUCTION PROGRAM

SECTION 17.4. Identical to 5th edition.

FEDERAL GRANT REPORTING

SECTION 17.5. Identical to 5th edition.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR
INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO
STATE PRISON SYSTEM

SECTION 17.6. Identical to 5th edition.

USE OF CLOSED PRISON FACILITIES

SECTION 17.7. Identical to 5th edition.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 17.8. Identical to 5th edition.

ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT

SECTION 17.9. Identical to 5th edition.

INMATE MEDICAL COSTS

SECTION 17.10. Same as the 5th edition except allows the Department of Correction to use funds available during the 2007-09 biennium for the inmate medical program (was, for the purchase of inmate medical services) if expenditures are projected to exceed the Department's inmate medical continuation budget.

PAROLE ELIGIBILITY REPORT

SECTION 17.11. Identical to 5th edition.

FEDERAL GRANT MATCHING FUNDS

SECTION 17.12. Identical to 5th edition.

REPORTS ON NONPROFIT PROGRAMS

SECTION 17.13. Identical to 5th edition.

REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL POSITIONING
SYSTEMS FOR SEX OFFENDERS

SECTION 17.14. Identical to 5th edition.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 17.15. Same as 5th edition except provides that program goals are to be developed by the Division of Community Corrections in consultation with the State Criminal Justice Partnership Advisory Board in addition to the Division of Research and Planning.

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 17.16. Identical to 5th edition.

COMMUNITY SERVICE WORK PROGRAM

SECTION 17.17. Identical to 5th edition.

PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS

SECTION 18.1. Identical to 5th edition.

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 18.2. Same as 5th edition except amends GS 143B-519 to require the Department of Juvenile Justice and Delinquency Prevention (DJJDP) to report to various legislative committees and divisions by April 1 of each year on: (1) the effectiveness of programs that receive Juvenile Crime Prevention Council (council) grant funds and that serve juveniles who have been adjudicated delinquent or who have been diverted for delinquent offenses; (2) the number of diverted and adjudicated juveniles served; (3) the specific methods used by the council to determine services, programs, and intervention strategies most likely to change behaviors of juvenile offenders; (4) the total cost for each funded program, including the cost per juvenile and the essential elements of the program; and (5) an assessment of the extent to which programs funded by council grants meet specified criteria. Also requires DJJDP to withhold the fourth quarter payment for local council grants pending the receipt of the required annual effectiveness report.

REPORTS ON CERTAIN PROGRAMS

SECTION 18.3. Same as 5th edition except deletes the Communities in Schools reporting requirement.

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 18.4. Identical to 5th edition.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 18.5. Identical to 5th edition.

REPORTING ON TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT CENTERS

SECTION 18.6. Same as 5th edition except requires DJJDP to implement the staffing treatment model presented to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee as part of DJJDP's November 14, 2006, report regarding the joint use with the Department of Correction of the Swannanoa Youth Development Center campus. Caps the staffing levels of the new youth development centers and sets staffing ratios.

PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL PROJECTS

SECTION 18.7. Same as 5th edition except deletes the DJJDP and Eckerd Family Youth Alternatives reporting requirements in subsection (b), replacing them with a similar provision in sections 18.10, below.

STUDY OF STATE DETENTION CENTERS

SECTION 18.8. Identical to 5th edition.

YOUTH DEVELOPMENT CENTER SCHOLARSHIPS

SECTION 18.9. Identical to 5th edition.

REPORT ON ECKERD FAMILY FOCUS ON REHABILITATIVE TREATMENT (EFFORT) PROJECT

SECTION 18.10. New provision requires DJJDP and Eckerd Family Youth Alternatives, Inc., to report by April 1, 2008, and quarterly thereafter to the 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 on the progress of the Eckerd Family Focus on Rehabilitative Treatment (EFFORT) project. Specifies issues to be included in the report.

PROGRESS REPORT ON JOINT USE BY THE DEPARTMENT OF CORRECTION AND THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION OF THE SWANNANOVA VALLEY YOUTH DEVELOPMENT CENTER

SECTION 18.11. New provision requires DJJDP and the Department of Correction to report quarterly during the 2007-09 fiscal biennium, beginning October 1, 2007, to the 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 on the joint use of the Swannanoa Valley Youth Development Center. Requires the report to include an explanation of significant delays in converting the Center into a facility that functions as an adult female correctional center as well as a youth development center and any cost increase related to that conversion.

PART XIX. DEPARTMENT OF ADMINISTRATION

REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR PERSONS WITH DISABILITIES

SECTION 19.1. Adds provisions explicitly referencing federal statutes and regulations regarding redesignation of Governor's Advocacy Council for Persons with Disabilities from the Department of Administration to a nongovernmental entity. Sets target transfer date of July 1, 2007. Makes conforming amendments to various statutes. Makes section effective on effective date of redesignation and provides that any funds appropriated to the council revert on that date.

SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING

SECTION 19.2. Identical to 5th edition.

TRANSFER OF STATE ENERGY OFFICE AND ENERGY GRANT PROGRAM

SECTION 19.3. New provision transfers the State Energy Office to the State Construction Office in the Department of Administration as a Type I transfer. Transfers administration of the energy grant program to the Department of Environment and Natural Resources (DENR). Eliminates six positions as the result of transfers. Provides that DENR may adopt rules regarding administration of the energy improvement grants. Directs DENR to develop a strategic plan for the grants and to submit the plan to the Energy Policy Council and the chairs of the House and Senate Appropriations Committees by November 1, 2007, directs the council to approve the plan by March 1, 2008, and provides that no new grants may be awarded before plan approval. Recodifies statutes regarding energy improvement loan program and makes other conforming changes.

STATE EMPLOYEE PARKING CHANGES

SECTION 19.4. New provision repeals the 2006 authorization of special indebtedness of up to \$20 million to finance a new parking deck to be constructed in downtown Raleigh and directs immediate cessation of construction of that deck. Requires that the Department of Administration no longer provide reserved spaces for state employee parking in the Raleigh Downtown Complex except for parking decks located belowground and parking lots with fewer than 30 employee spaces. Provides for overbooking parking decks or lots in this area by up to 15%. Provides priority for parking for state employees in the downtown complex, for service vehicles, and for vanpools. Allows use of parking revenues to subsidize up to half the cost of vanpools. Directs the Office of State Budget and Management, in consultation with the Department of Administration, to study the overall plan for state employee parking in Raleigh. The plan is to consider use of alternative transportation to increase car pools, vanpools, use of park and ride lots, and city and county transit options. The Office of State Budget and Management must submit the plan recommendations to the Senate Appropriations Committee on General Government and the House of Representatives Appropriations Subcommittee on General Government and Information Technology by May 1, 2008.

PART XX. OFFICE OF THE STATE CONTROLLER OVERPAYMENTS AUDIT

SECTION 20.1. Identical to 5th edition.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES GRASSROOTS ARTS PROGRAM FUNDING

SECTION 21.1. Identical to 5th edition.

AFRICAN-AMERICAN MONUMENT PROJECT

SECTION 21.2. Allocates \$100,000 for 2007-08 from Department of Cultural Resources funds to NC Freedom Monument Project, Inc., for a monument in Raleigh depicting the African-American experience in North Carolina.

PART XXII. OFFICE OF THE GOVERNOR HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND

SECTION 22.1. Same as 5th edition except provides that counties to be included in the program are those with 7% or higher unemployment rate in 2004-05 (was, 2006-07) and provides that non-reversion provisions apply to funds appropriated by the act (rather than by 2004 Appropriations Act).

PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 23.1. Same as 5th edition except deletes specific reference to appropriation of \$1 million in 2007-08.

LICENSING BOARD REPORTING REQUIREMENT

SECTION 23.2. Identical to 5th edition.

STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE AGENCIES

SECTION 23.3. Identical to 5th edition.

MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 23.4. New provision amends GS 58-85A-1(c), effective July 1, 2007, to increase stated intended appropriations to the State Fire Protection Grant Fund to provide local fire protection for state-owned properties in the following amounts: from \$3.08 million to \$4.33 million from the General Fund, from \$150,000 to \$158,000 from the Highway Fund, and from \$970,000 to \$1.345 million from University of North Carolina receipts. Effective July 1, 2008, the General Fund intended appropriation amount is reduced from \$4.33 million to \$3.88 million.

PART XXIV. DEPARTMENT OF REVENUE WHITE GOODS DISPOSAL TAX PROGRAM

SECTION 24.1. Identical to 5th edition.

SCRAP TIRE DISPOSAL TAX PROGRAM

SECTION 24.2. Identical to 5th edition.

EITC REQUIREMENTS

SECTION 24.3. New provision directs the Department of Revenue to include in its booklets for individual income tax returns information that identifies the availability of the earned income tax credit. Encourages tax software companies to include automatic calculation of individual eligibility for earned income tax credit. Effective for taxable years beginning on or after January 1, 2007.

TRANSFER REVENUE HEARINGS TO OAH

SECTION 24.4. New provision transfers to the Office of Administrative Hearings as a Type I transfer one Assistant Secretary position and one associated support position assigned to the Department of Revenue for the purpose of hearing appeals.

PART XXV. STATE BOARD OF ELECTIONS

STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE

SECTION 25.1. Same as 5th edition except deletes a reference to H 1267.

PART XXVI. DEPARTMENT OF THE STATE TREASURER

FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; REPORTING REQUIREMENTS

SECTION 26.1. Same as 5th edition except makes technical amendments.

PART XXVII. DEPARTMENT OF TRANSPORTATION

ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION PLATES

SECTION 27.1. Identical to 5th edition.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 27.2. Identical to 5th edition.

FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND TRANSPORTATION IMPROVEMENT PROGRAM PROJECTS

SECTION 27.3. Same as 5th edition except reduces appropriation from \$14 million to \$9,338,404.

CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE DEPARTMENT OF TRANSPORTATION'S PUBLIC TRANSPORTATION DIVISION

SECTION 27.4. Identical to 5th edition.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 27.5. Identical to 5th edition.

FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES

SECTION 27.6. Identical to 5th edition.

MODIFY GLOBAL TRANSPARK DEBT

SECTION 27.7. Identical to 5th edition.

DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT COMPLIANCE

SECTION 27.8. Identical to 5th edition.

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 27.9. Same as 5th edition except adds pavement markings units pilots and allows up to two additional pilot programs. Provides that additional pilot programs may last no more than two years. Requires the Department of Transportation to report to the Joint Legislative Transportation Oversight Committee on new pilot programs at least 30 days before to their implementation.

STUDY DEPARTMENT OF TRANSPORTATION'S BUDGET PROCESS

SECTION 27.10. Deleted.

DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM

SECTION 27.11. Identical to 5th edition.

PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE HIGHWAY TRUST FUND TO THE GENERAL FUND AND OTHER STATE AGENCIES

SECTION 27.12. Deleted.

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 27.13. Similar to Section 12.6 of the 5th edition, directs the Department of Transportation to allocate from funds available for maintenance \$330,000 in 2007-08 and 2008-09 for the state share to support the beaver damage control program, if at least \$25,000 is available per year in federal funds.

DEPARTMENT OF TRANSPORTATION PERFORMANCE-BASED CONTRACTS

SECTION 27.14. New provision authorizes the Department of Transportation to implement up to two performance-based contracts for routine maintenance and operations, exclusive of resurfacing. Before advertising for a proposed project, the Department must report to the Joint Legislative Transportation Oversight Committee on the contractor selection criteria to be used.

ENSURE PROPERTY AND FUNDS GO TO STATE HIGHWAY FUND

SECTION 27.15. New provision amends GS 136-16 to specify that proceeds from the sale of real property originally purchased with funds from the Highway Fund go to the Highway Fund.

DIVISION OF MOTOR VEHICLES TO REPORT CLOSINGS OF DRIVERS LICENSE OFFICES

SECTION 27.16. New provision requires the Division of Motor Vehicles to report the closing of any driver's license office to the Joint Legislative Transportation Oversight Committee at least 60 days before the closure and specifies the contents of the report.

PART XXVIII SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 28.1. Makes the following changes to 5th edition. Modifies amendment to GS 147-11(a) to decrease the proposed annual salary of the Governor from \$136,181 to \$135,854. Decreases the proposed annual salary for members of the Council of State from \$120,189 to \$119,901 for the 2007-08 and 2008-09 fiscal years.

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 28.2. Decreases the proposed annual salary increase of nonelected department heads from \$117,424 to \$117,142 for the 2007-08 and 2008-09 fiscal years.

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.3. Reduces the proposed increased annual salaries (excluding Chair, Employment Security Commission) for the 2007-08 and 2008-09 fiscal years as follows:

<u>Executive Branch Officials</u>	<u>Annual Salary</u>
Chair, Alcoholic Beverage Control Commission	\$106,621
State Controller	149,216
Commissioner of Motor Vehicles	106,621
Commissioner of Banks	119,901
Chair, Employment Security Commission	133,161
State Personnel Director	117,142
Chair, Parole Commission	97,358
Members of the Parole Commission	44,942
Chair, Utilities Commission	133,531
Members of the Utilities Commission	119,901
Executive Director, Agency for Public Telecommunications	89,884
Director, Museum of Art	109,252
Executive Director, North Carolina Agricultural Finance Authority	103,781
State Chief Information Officer	149,126

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.4. Same as 5th edition except makes the following changes regarding annual salary increases for specified judicial branch officials for the 2007-2008 and 2008-2009 fiscal years: (1) reduces the proposed increased salary for the Administrative Officer of the Courts from \$123,643 to \$123,346 and for the Assistant Administrative Officer of the Courts from \$112,936 to \$112,665; (2) adds salary increases for District Attorneys and Public Defenders to \$116,112; and (3) decreases the proposed required minimum salary of any assistant district attorney or assistant public defender from \$36,168 to \$36,082 and provides that average salaries of those positions can not exceed \$69,047 (reduced from proposed \$69,213) in each district. Also reduces the

proposed increase to the salaries of permanent full-time and permanent part-time Judicial Department employees whose salaries are not itemized above from 4.25% to 4.0%.

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 28.5. Same as 5th edition except makes reductions to the proposed annual salaries of the clerk of the superior court in each county

Population	Annual Salary
Less than 100,000	\$80,196 (was, \$80,389)
100,000 to 149,999	89,993 (was, \$90,210)
150,000 to 249,999	99,792 (was, \$100,032)
250,000 and above	109,593. (was, \$109,857)

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 28.6. Same as 5th edition except decreases proposed minimum and maximum salary range for full-time assistant clerks and bookkeepers to \$31,122 to \$53,429 (was, \$31,197 to \$53,429), and for full-time deputy clerks to \$26,788 to \$41,456 (was, \$26,853 to \$41,556).

MAGISTRATES' SALARY INCREASES

SECTION 28.7. Same as 5th edition except provides that the salary range for full-time magistrates is \$31,533 to \$53,760 (decreased from proposed range of \$31,609 to \$53,889). Also decreases the proposed salary increases for magistrates credited with less than five years of service as of June 30, 1994.

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 28.8. Same as 5th edition except that the proposed increased annual salary for principal clerks is reduced from \$101,542 to \$101,298.

SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 28.9. Same as 5th edition except that the proposed increased weekly salary for sergeant-at-arms and reading clerks is decreased from \$360.00 to \$359.00.

LEGISLATIVE EMPLOYEES/SALARY INCREASES

SECTION 28.10. Same as 5th edition except that the proposed increased annual salary for legislative employees for fiscal year 2006-07 is decreased from 4.25% to 4.0%.

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 28.11. Same as 5th edition except that the proposed annual salary increase for all Community College employees is decreased from 4.25% to 4.0% and the additional proposed annual salary increase for Community College faculty and professional staff who are supported by state funds is raised from 0.75% to 1.0%.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12. Makes the following changes to the 5th edition. Deletes the 4.25% annual salary increase for all University of North Carolina (UNC) employees and replaces it with a 5.0% increase for faculty employed by UNC and a 4.0% increase for non-faculty who are supported by state funds, exempt from the State Personnel Act (EPA), and not teachers at the NC School of Science and Math. Directs that the faculty salary increase be made on an aggregated basis and provides that the faculty and non-faculty salary funds may not be used for any purpose other than for salary increases and related employer contributions; however, provides that the UNC Board of Governors may use a portion of the annual salary 5.0% faculty increase to improve competitive national peer rankings for faculty. Reorganizes the section.

STATE AGENCY TEACHERS' COMPENSATION

SECTION 28.13. Identical to 5th edition.

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 28.14. Same as 5th edition except reduces the proposed salary increases for the specified state employees from 4.25% to 4.0%.

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 28.15. Same as 5th edition except reduces the proposed salary increases for permanent full-time employees who work a nine- to eleven-month work year from 4.25% to 4.0%.

CERTAIN SALARIES SET BY GENERAL ASSEMBLY

SECTION 28.15A. New provision amends GS 7A-65(a) to provide that DAs and full-time ADAs are to receive an annual salary as provided in the Current Operations Appropriations Act.

TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES COMMISSION SALARIES

SECTION 28.15B. New provision directs the Secretary of Revenue to make a quarterly transfer for the 2007-08 and 2008-09 fiscal years of funds from the state sales and use tax net collections to support any legislative salary increases for Wildlife Resources Commission employees.

SALARY ADJUSTMENT FUND

SECTION 28.18. Identical to the 5th edition.

JUDICIAL BRANCH LONGEVITY

SECTION 28.18A. New provision amends GS 7A-10(c), 7A-18(b), 7A-44(b), 7A-65, 7A-101(c), 7A-144(b), and 7A-498.7 to modify the schedule for longevity pay in lieu of merit and other increment raises for members of the judiciary, district attorneys and public defenders, assistant district attorneys and public defenders, and clerks of superior court to provide 24% after 25 years of service and 28.8% after 30 years of service.

CAREER BANDING/CONTINUATION

SECTION 28.18B. New provision directs the State Personnel Commission, the Office of State Personnel, the University of North Carolina as to its employees subject to the State Personnel Act, and state agencies as to their defined critical occupational groups to begin or continue the development and implementation of career banding, effective July 1, 2007. Requires the Office of State Personnel to provide quarterly updates on career banding to the Joint Legislative Commission on Governmental Operations. Directs the Office of State Personnel to consult with the Joint Legislative Commission on Governmental Operations prior to the State Personnel Commission's review and approval of career banding for major occupational groups with significant labor market changes.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 28.19. Makes changes to the 5th edition to provide that effective July 1, 2007, the state's employer contribution rate budgeted for retirement and related benefits for the Community College Optional Retirement Program is 17.51% (was, 16.89 %) of covered salaries for the 2007-08 fiscal year. Provides identical provision to be effective July 1, 2008.

Reduces the proposed maximum annual employer contributions to the Teachers' and State Employees' Comprehensive Major Medical Plan's (CMMP) Indemnity Plan for the 2007-08 fiscal year (1) from \$3,262 to \$3,226 for Medicare-eligible employees and retirees, and (2) from \$4,284 to \$4,238 for non-Medicare-eligible employees and retirees. Deletes provision setting maximums for the 2008-09 fiscal year.

Reduces the proposed maximum annual employer contributions to the CMMP's Preferred Options Program for the 2007-08 fiscal year (1) from \$3,119 to \$3,091 for Medicare-eligible employees and retirees, and (2) from \$4,097 to \$4,061 for non-Medicare-eligible employees and retirees. Also makes reductions to proposed maximums for fiscal year 2008-09, from \$3,210 to \$3,173 for Medicare-eligible employees and from \$4,217 to \$4,168 for non-Medicare-eligible employees and retirees.

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

SECTION 28.20. Identical to 5th edition.

INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION 28.21. Identical to 5th edition.

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 28.21A. Identical to 5th edition.

INCLUDE PUBLIC DEFENDERS AS MEMBERS OF THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 28.21B. New provision amends GS 135-50(b) and 135-51 to add public defenders serving on July 1, 2007, or who become public defenders after that date to the consolidated judicial retirement system. Makes conforming changes to GS 135-53 (definitions), 135-54 (name and date of establishment), and 135-55 (membership in the retirement system). Amends GS 135-58(a4) regarding provisions for an allowance to a member retiring under GS 135-57(a) or (c) after January 1, 2004, but before July 1, 2007. Enacts new GS 135-58(a5) providing that

members who complete 24 years of service or attain their 65th birthday are to receive an annual retirement allowance, paid monthly. Provides criteria for calculating benefit amounts. Enacts new GS 135-56(g) to provide for a transfer of membership from the previous retirement system to this system.

STATE HEALTH PLAN CHANGES EFFECTIVE FOR FISCAL YEAR 2007-2008

SECTION 28.22. Same as 5th edition except it divides the state health plan changes by fiscal year and changes the title of this section to reflect that its provisions are effective for the 2007-08 fiscal year. Amends GS 135-39.5B regarding optional plans for certain benefits. Amends GS 135-40.5(g) to propose increases to the prescription drug co-payment under the CMMP indemnity plan, effective July 1, 2007, as follows:

Prescription Type	Co-payment Proposed Senate Committee Substitute	Co-payment 5 th edition
Generic	\$15.00	\$10.00
Preferred branded prescription (PBP)	\$30.00	\$30.00
PBP with a generic equivalent	\$45.00	\$40.00
Non-preferred branded or generic	\$55.00	\$50.00

STATE HEALTH PLAN CHANGES EFFECTIVE BEGINNING WITH THE 2008-2009 FISCAL YEAR

SECTION 28.22A. New provision provides for state health plan changes for the 2008-09 fiscal year, effective as of July 1, 2008. Amends GS 135-39(a) and (a1) to change the name of the medical plan for teachers and state employees to the State Health Plan for Teachers and State Employees (Plan) (was, Teachers' and State Employees' Comprehensive Major Medical Plan). Rewrites the title of GS Chapter 135, Part 3 of Article 3 to reflect the change. Makes additional conforming changes to GS 135-37, 135-39.10, 135-40, and 135-40.1. Directs the Revisor of Statutes to delete all statutory references to the title of the previous plan and replace it with the title for the new Plan.

Repeals the following: GS 135-39.5B (regarding optional plans for hospital and medical benefits); 135-40 (regarding North Carolina's plan to undertake making a comprehensive major medical plan available to state employees); 135-40.4 (regarding benefits in general of the comprehensive medical plan); 135-40.5 (regarding prescription drug benefits); 135-40.6 (regarding benefits subject to deductible), 135-40.8 (regarding out of pocket expenditures); and 135-40.9 (regarding maximum benefits).

Amends GS 135-40 to provide that the Plan made available by NC to its employees, retired employees and certain dependents may be a PPO or other type of benefit that includes noncontributory coverage. Enacts new GS 135-40.2(a3) to provide that the Executive Administrator (EA) and the Board of Trustees (BOT) may additionally offer optional coverage on a partially contributory basis. Provides limitations and restrictions on the amount of state funds contributed for optional coverage on a partially contributory basis and requires the EA and BOT to consult with the Committee on Employee Hospital and Medical Benefits before imposing a partially contributor premium.

Amends GS 135-40.5 to provide regulations regarding prescription drugs including limits on pricing and allowable charges by pharmacies, types of medications identified as prescription drugs, and setting a limit that provides that plan members may not be assessed more that \$2,500.00 per fiscal year in co-payments for prescription drugs. Proposes prescription drug plan co-payments are as follows:

Prescription Type	Co-payment
Generic	\$10.00
Preferred branded prescription (PBP)	\$25.00
PBP with a generic equivalent	\$40.00
Non-preferred branded or generic	\$50.00

STATE HEALTH PLAN WELLNESS PILOT

SECTION 28.22B. New provision authorizes the EA and BOT of the Plan to use up to \$200,000 in funds to establish and implement one or more wellness pilot programs for state employees for the 2007-08 fiscal year. Requires that the EA of the Plan report on employee participation levels in the wellness pilot programs no later than May 1, 2008 and make a recommendation as to whether or not the pilot programs should be expanded to other areas in the state in the 2008-09 fiscal year.

RETIREE HEALTH BENEFIT FUND

SECTION 28.23. Identical to 5th edition.

PART XXIX. CAPITAL APPROPRIATIONS.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 29.1. Identical to 5th edition.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2. Appropriates the following amounts from the General Fund for 2007-08 for capital improvements:

Capital Improvements – General Fund	2007-2008
Department of Administration	
Deerfield Cottage Renovation	\$3,556,000
Department of Crime Control and Public Safety	
Voice Interoperability Plan for Emergency Responders Phase 1	12,250,000
Department of Natural and Environmental Resources	
Water Resources Development Projects	20,000,000
Division of Forest Resources County Headquarters	1,000,000
Information Technology Services	
Secondary Data Center Equipment	9,000,000
University of North Carolina System	
Reserve for Fire Suppression in Dormitories Phase 1	9,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$54,806,000

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 29.3. Same as 5th edition, except directs the Department of Environment and Natural Resources (DENR) to allocate funds appropriated for water resources development projects to the following projects:

Name of Project	2007-2008
(1) Wilmington Harbor Deepening	\$ 4,333,000
(2) Manteo (Shallowbag) Bay	350,000
(3) Wilmington Harbor Maintenance	2,000,000
(4) Bogue Banks Shore Protection Study	125,000
(5) B. Everett Jordan Lake Water Supply Storage	100,000
(6) Princeville Flood Control	98,000
(7) Aquatic Plant Control, Statewide and Lake Gaston	200,000
(8) Belhaven Harbor Feasibility	120,000
(9) John H. Kerr Dam & Reservoir	520,000
(10) Currituck Sound Environmental Restoration Study	350,000
(11) Neuse River Basin Study	554,000
(12) Surf City/North Topsail Beach Study	50,000
(13) West Onslow Beach (Topsail Beach) Study	43,000
(14) Dare County Beaches (Bodie Island)	500,000
(15) North Carolina Beach and Inlet Management Plan	250,000
(16) Dredging Contingency Fund	4,037,000
(17) State – Local Projects	2,400,000
(18) Western N.C. Hurricane Damage Stream Restoration	1,200,000
(19) Planning Assistance to Communities	75,000

(20)	Concord Stream Restoration – Cabarrus County	170,000
(21)	Southern Shores Canal Dredging Phase 2	800,000
(22)	Ararat River Restoration	550,000
(23)	Town of Williamston Drainage Improvement	600,000
(24)	Little Sugar Creek Stream Restoration Phase 7	575,000
	TOTAL	\$20,000,000

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 29.4. Identical to 5th edition.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 29.5. Same as 5th edition except (1) deletes provision allocating \$1.65 million for roof repair at the NC Transportation Museum and (2) allocates \$534,000 to the Department of Juvenile Justice and Delinquency Prevention for renovations at the Samarkand Youth Development Center for the Eckerd Family Focus on Rehabilitative Treatment.

PLANT CONSERVATION PROGRAM FUNDS

SECTION 29.6. Identical to 5th edition.

STATE FAIRGROUNDS IMPROVEMENT FUNDS

Section 29.7. Deleted.

EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS

SECTION 29.8. Identical to 5th edition.

TIME WARNER CABLE LEASE PROCEEDS

SECTION 29.9. Same as 5th edition except specifies that the amount to be transferred is \$225,000

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.10. Moved to Section 29.13 and substantially revised, as described below.

TRANSFER OF STATE PROPERTY TO WAYNE COUNTY

SECTION 29.11. New provision transfers certain described state-owned property in Wayne County to Wayne County. If Wayne County does not substantially begin construction of a community agricultural center on the site within five years of the execution of the deed, the property reverts to the state.

UNC RESERVE FOR FIRE SUPPRESSION

SECTION 29.12. New provision provides that the funds appropriated to the UNC Board of Governors for fire sprinklers in residence halls must be allocated among UNC's constituent institutions by the UNC president, taking into consideration listed factors.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.13. Like Section 29.10 of the 5th edition, effective when the act becomes law, authorizes the state to issue or incur special indebtedness in the following maximum amounts for the listed projects. The total amount is \$1,220,577,925. Also specifies various maximum amounts that may be issued before specified fiscal years. Deletes proposed projects for (1) a NCSU companion animal hospital, (2) a Tryon Palace visitors center, (3) a DENR office building, (4) a NC Natural Sciences Museum expansion, (5) downtown Raleigh parking facilities, and (6) a warehouse expansion for the ABC Commission. Deletes proposed amendment to GS 18B-208(b). States the intent of the General Assembly to use special indebtedness to finance a voice interoperability plan for emergency responders if funds can be identified to pay the indebtedness.

Debt Amount	Project	Maximum before July 1, 2008	Maximum before July 1, 2009
\$ 34,000,000	Educational Building at Appalachian State University	\$ 3,000,000	
\$ 87,000,000	Building and Clinics at ECU School of Dentistry	\$ 10,000,000	\$ 52,000,000

Debt Amount	Project	Maximum before July 1, 2008	Maximum before July 1, 2009
\$ 20,000,000	School of Education Building at ECSU	\$ 2,000,000	\$ 6,000,000
\$ 22,857,000	Science and Technology Complex at FSU	\$ 5,000,000	
\$ 25,287,000	Classroom at NCA&T State University	\$ 5,000,000	
\$ 24,000,000	NCCU School of Nursing Building	\$ 2,500,000	\$ 6,250,000
\$ 24,920,000	NC School of the Arts Library	\$ 1,775,600	\$ 14,373,600
\$ 34,000,000	NCSU School of Engineering Building Addition	\$ 8,500,000	\$ 25,500,000
\$114,000,000	NCSU James B. Hunt Library	\$ 2,325,000	\$ 7,908,333
\$ 8,687,000	UNC-A Rhoades Hall Renovation	\$ 1,000,000	
\$ 9,305,000	UNC-A Carmichael Hall Renovation	\$ 1,000,000	
\$119,608,225	UNC-CH Genomics Science Building	\$ 25,272,225	
\$ 96,000,000	UNC-CH School of Dentistry Addition	\$ 30,000,000	\$ 87,000,000
\$ 76,218,000	UNC-Charlotte Energy Production Infrastructure Center	\$ 7,000,000	\$ 22,000,000
\$ 45,167,000	UNC-G Education Classroom Building	\$ 6,000,000	
\$ 19,000,000	UNC-Pembroke Nursing & Allied Health Building	\$ 5,000,000	
\$ 34,525,000	UNC-W Teaching Laboratory	\$ 2,500,000	\$ 8,631,250
\$ 18,708,000	WSSU Student Activities Center	\$ 2,000,000	\$ 5,000,000
\$ 28,212,000	WSSU Science and General Classroom	\$ 4,000,000	\$ 19,000,000
\$ 43,805,000	WCU Health & Gerontological Building	\$ 2,200,000	\$ 23,002,500
\$ 34,000,000	State-owned 4-H Buildings	\$ 4,000,000	\$ 14,000,000
\$ 32,500,000	Coastal Studies Institute Completion	\$ 8,000,000	
\$ 58,000,000	UNC-G and NC A&T State University Nanoscience Building	\$ 10,000,000	\$ 38,000,000
\$ 17,500,000	NC School of Science & Mathematics Improvements		
\$ 25,000,000	UNC System Land Acquisition		

Debt Amount	Project	Maximum before July 1, 2008	Maximum before July 1, 2009
\$ 25,000,000	UNC System Projects Plans and Specifications		
\$ 39,763,100	NC Women's Prison Health Care Facility	\$ 5,000,000	\$ 32,000,000
\$ 13,191,300	Tabor City Correctional - minimum security facility	\$ 3,000,000	
\$ 19,816,500	Scotland Correctional - medium security facility	\$ 5,000,000	
\$ 13,191,300	Scotland Correctional - minimum security facility	\$ 3,000,000	
\$ 19,816,500	Bertie Correctional - medium security facility	\$ 5,000,000	
\$ 37,500,000	Five Replacement Youth Development Centers	\$ 15,000,000	\$ 30,000,000

PART XXX. FEES

EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE

SECTION 30.1. Identical to 5th edition.

MINING PERMIT APPLICATION FEES

SECTION 30.2. Same as the 5th edition except amends GS 74-54.1(c) to require DENR to also report to the Fiscal Research Division and the Mining Commission.

WATER QUALITY PERMIT FEES

SECTION 30.3. Identical to 5th edition.

CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.4. Identical to 5th edition.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.5. Identical to 5th edition.

CHANGE CORPORATE ANNUAL REPORT FEES

SECTION 30.6. Identical to 5th edition.

INCREASE PRIMARY FOREST PRODUCTS ASSESSMENT RATES

SECTION 30.7. Amends GS 113A-194(b) to double the assessments on primary forest products.

INCREASE COURT FEES AND AMEND THE ACCESS TO CIVIL JUSTICE ACT

SECTION 30.8. New provision amends various court fees as follows. Amends GS 7A-304(a) to make the following changes to costs that are assessed for criminal cases in the superior or district court when the defendant is convicted, or enters a plea of guilty or no contest, or when costs are assessed against the prosecuting witness: (1) increases the district court fee from \$85.50 to \$95.50 and the superior court fee from \$92.50 to \$102.50. (2) Increases the amount the State Treasurer must remit from fees collected to the North Carolina State bar from \$1.05 to \$2.05; and (3) requires a fee of \$100, which is to be remitted to the State Treasurer, to be paid by a defendant who fails to appear to answer the charge as scheduled, unless the person appears to answer the charges or disposes of the charges within 20 days of the scheduled appearance (was, \$50 is to be remitted to the State Treasurer, for the issuance of a report to the Division of Motor Vehicles under GS 20-24.2). The changes are effective July 1, 2007, and apply to all costs assessed or collected on or after that date, except that in misdemeanor or infraction cases disposed of on or after that date by written appearance, waiver of trial or hearing, and plea of guilt or admission of responsibility pursuant to G.S. 7A-180(4) or G.S. 7A-273(2), in which the citation or other criminal process was issued before that date, the cost is the lesser of those specified in G.S. 7A-304(a), as amended, or those specified in the notice portion of the defendant's or

respondent's copy of the citation or other criminal process, if any. Amends GS 7A-305(a) to increase the costs for civil actions in superior or district court, except for actions brought under GS Chapter 50B (domestic violence), as follows: (1) increases the costs for superior court from \$79 to \$93; (2) increases the costs for district court from \$64 to \$73 ; (3) increases the costs for cases assigned to a magistrate from \$53 to \$63; and (4) increases the amount that must be remitted by the State Treasurer to the North Carolina State Bar from \$1.05 to \$2.05. Amends GS 7A-306(a) to increase the amount remitted by the State Treasurer to the North Carolina State Bar from fees collected from special proceedings in the superior court from \$1.05 to \$2.05. Amends GS 7A-307(a) to increase the fees for the administration (1) of the estates of decedents, minors, incompetents, and of missing persons, (2) of trusts under wills and under powers of attorney, (3) in trust proceedings under GS 36A-23.1, and (4) in collections of personal property by affidavit from \$40 to \$50. Also increases the amount the State Treasurer must remit to the North Carolina State Bar from \$1.05 to \$2.05 for each \$50 fee collected. Amends GS 7A-308(a)(1) to increase the fees for foreclosure under a power of sale in a deed of trust or mortgage from \$60 to \$75. Also increases the maximum that can be collected if the property is sold under the power of sale from \$300 to \$500. Amends GS 7A-308(a)(17) to increase from \$1 to \$15 the fee for a criminal record search that is not requested by a state agency, by an agency of the United States, or by a petitioner in a proceeding under Article 2 of GS Chapter 20.

Amends GS 7A-474.1 to state that the General Assembly finds that legal representation for indigent persons in certain kinds of civil matters can best be provided through the established legal services programs (was, five geographically based field programs) in the state. Makes a conforming change to GS 7A-474.2(4). Amends GS 7A-474.4 to make a conforming change and to add legal aid programs to those receiving a funding allocation. Makes a conforming change to GS 7A-474.5. Amends GS 84-4.1(7) to increase the fee that must be paid by out-of-state attorneys for representing a client before a North Carolina Court or an agency or commission from \$125 to \$225, \$200 (was, \$100) of which must be remitted to the State Treasurer.

COLLECTION OF OUTSTANDING FINES AND FEES BY THE COURTS

SECTION 30.9. New provision amends GS 7A-321 to allow the Judicial Department, in attempting to collect fines, fees, and costs owed by offenders not sentenced to supervised probation, to do the following: (1) assess a collection assistance fee, not to exceed the lesser of the average cost of collecting the debt or 20% of the amount past due, if an amount due remains unpaid for 30 days after the time period allotted by the court; (2) enter into contracts with a collection agency to collect unpaid fines, fees, and costs owed; and (3) intercept tax refund checks under the Setoff Debt Collection Act, GS Chapter 105A. Effective for cases adjudicated on or after July 1, 2007.

INCREASE AND CLARIFY CERTAIN COURT COSTS

SECTION 30.10. New section amends GS 7A-305(a1) to provide that civil action costs apply to additional and subsequent actions filed by amendment to the original action brought under GS Chapter 50B (domestic violence), unless the amendment to the action is also brought under GS Chapter 50B. Amends GS 7A-307(a)(2a) to provide that the fee applicable to estates is assessed on (1) newly contributed or acquired assets, (2) all interest or other income that is earned on any assets, and (3) realized gains on the sale of any trust assets. Excludes from newly contributed or acquired assets the assets acquired by the transfer of an amount of trust property on which fees were previously assessed. Amends GS 7A-308(a)(12) to provide that the \$2 per first page copying fee applies to the first page of each document copied. Effective July 1, 2008, amends GS 7A-317 to delete the provision that counties and municipalities are not required to advance the costs for the facilities fee, the General Court of Justice fee, or the miscellaneous fees enumerated in GS 7A-308. Amends GS 20-16.5(j) as follows: (1) increases the fee for the restoration of a revoked license from \$50 to \$100; (2) removes the requirement that the costs collected be credited to the General Fund; and (3) provides that 50% of the costs collected must be remitted to the General Fund and be used to fund a statewide chemical alcohol testing program administered by the Injury Control Section of the Department of Health and Human Services and that the remaining 50% must be remitted to the county to reimburse the county for jail expenses incurred due to enforcement of the impaired driving laws. Repeals GS 130A-106(b) and GS 130A-107(d) (allowing a maximum fee of \$2 for a hearing concerning a person's birth date, place and parentage for a person without a birth certificate or of unknown parentage).

PART XXXI. TAX LAW CHANGES

IRC UPDATE

SECTION 31.1. Deleted.

EXTEND STATE SALES TAX RATE FOR TWO YEARS

SECTION 31.2. Deleted.

EXTEND UPPER INCOME TAX RATE THROUGH 2009

SECTION 31.3. Deleted.

EARNED INCOME TAX CREDIT

SECTION 31.4. Deleted.

REENACT LONG-TERM CARE CREDIT

SECTION 31.5 Deleted.

ADOPTION TAX CREDIT

SECTION 31.6. Deleted.

PRIVILEGE TAX ON SOFTWARE PUBLISHERS' MACHINERY AND EQUIPMENT

SECTION 31.7. Deleted.

ENHANCE TAX CREDIT FOR RESEARCH AND DEVELOPMENT EXPENDITURES

SECTION 31.8. Deleted.

MODIFY TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL FACILITIES

SECTION 31.9. Deleted.

EXPAND SALES AND USE TAX REFUND FOR CERTAIN AIRCRAFT MANUFACTURERS

SECTION 31.10. Deleted.

ADJUST TAX RATE ON PROPERTY COVERAGE INSURANCE CONTRACTS AND

INCREASE THE DISTRIBUTION OF TAX PROCEEDS TO THE VOLUNTEER FIRE

DEPARTMENT FUND

SECTION 31.11. Deleted.

SET INSURANCE REGULATORY FEE

SECTION 31.12. Identical to 5th edition.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.13. Identical to 5th edition.

AMEND SALES TAX HOLIDAY

SECTION 31.14. Deleted.

PART XXXII. MISCELLANEOUS PROVISIONS

COMMITTEE REPORT

SECTION 32.2. States that the Senate Appropriations/Base Budget Committee Report on the Continuation, Expansion, and Capital Budgets indicates action by the General Assembly on the act, is to be used to construe the act, and is considered a part of the act. Directs that it be printed as a part of the Session Laws.

EFFECTIVE DATE

SECTION 32.6. Provides that the act becomes effective July 1, 2007, except as otherwise provided.

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. Senate Finance Committee Substitute makes the following changes to the 6th Edition, as amended by the Appropriations Committee.

PART III. CURRENT OPERATIONS/HIGHWAY FUND

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.3. New provision states that the appropriations from and the availability statement for the Highway Fund must be adjusted to reflect the revenue estimated to be allocated to it from the motor fuel excise tax.

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.4. New provision states that the appropriations from and the availability statement for the Highway Trust Fund must be adjusted to reflect the revenue estimated to be allocated to it from the motor fuel excise tax.

PART XXXI. TAX LAW CHANGES

CAP STATE GAS TAX

SECTION 31.15. Effective when it becomes law, new provision amends Section 24.3 of SL 2006-66 to remove the June 30, 2007, sunset on the provision capping at 12.4 cents a gallon the variable wholesale component of the motor fuel excise tax rate in GS 105-449.80(a).

May 30, 2007

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. Senate amendments make the following changes to 7th edition.

Amendment #1 deletes Section 10.27, which allowed funds to be used for up to three safe syringe programs.

Amendment #2 deletes Section 29.13(bb), (dd), and (ee), which would have authorized special indebtedness for capital costs for the Tabor City Correctional Institution, the Scotland Correctional Institution, and the Bertie Correctional Institution. Also modifies Section 29.2 to add appropriations for planning funds for additions at the Scotland Correctional Institution, Bertie Correctional Institution, Lanesboro Correctional Institution, and Tabor Correctional Institution and for construction at the Alexander Correctional Institution.

Amendment #3 modifies Section 2.1 to increase the amount appropriated to the Department of Health and Human Services (DHHS), Division of Medical Assistance, by \$1.5 million in each fiscal year of the biennium and to decrease the amount appropriated to DHHS, Division of Mental Health, by \$1.5 million in each fiscal year. Adds new Section 10.45A to provide that funds appropriated to DHHS, Division of Mental Health, Developmental Disability, and Substance Abuse Services, for realignment of Developmental Disability Services are reduced by an additional \$1.5 million for each fiscal year of the biennium and that the money is appropriated to DHHS, Division of Medical Services, to provide funding for 100 additional Community Alternatives Program–Mental Retardation/Developmental Disability slots to bring the number of new slots up to a total of 300.

Amendment #4 deletes Section 28.20(d), which would have amended GS 128-27 (retirement system for counties, cities, and towns) to adopt retirement allowance increases of 2.2%, effective July 1, 2007.

Amendment #6 adds new Section 9.15(e1) prohibiting North Carolina State University from taking any action to consolidate, downsize, or close any agricultural research stations and research farms or determine which station or farm should be retained or divested by the state before the University reports its proposed action to the General Assembly.

July 27, 2007

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. Conference report recommending changes to the 8th edition to reconcile matters in controversy will be digested in tomorrow's *Daily Bulletin*.

July 28, 2007

H 1473. 2007 APPROPRIATIONS ACT. Filed 4/12/07. Conference report recommends the following changes to 8th edition to reconcile matters in controversy.

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Makes the following appropriations from the General Fund for the biennium ending June 30, 2009:

Current Operations – General Fund	2007-2008	2008-2009
EDUCATION		
Community Colleges System Office	\$ 938,106,160	\$ 899,643,003
Department of Public Instruction	7,714,429,569	7,708,315,285

University of North Carolina – Board of Governors

Appalachian State University	121,866,775	123,484,299
East Carolina University		
Academic Affairs	200,929,741	207,798,168
Health Affairs	48,700,539	48,649,036
Elizabeth City State University	31,770,080	32,587,386
Fayetteville State University	53,131,616	54,059,698
North Carolina Agricultural and		
Technical State University	91,017,204	91,671,185
North Carolina Central University	76,599,430	78,129,122
North Carolina School of the Arts	24,650,862	24,042,061
North Carolina State University		
Academic Affairs	349,253,626	358,675,869
Agricultural Extension	42,241,968	42,126,187
Agricultural Research	53,406,637	52,144,009
University of North Carolina at Asheville	33,648,196	34,151,586
University of North Carolina at Chapel Hill		
Academic Affairs	269,229,699	275,856,577
Health Affairs	188,883,060	194,407,363
Area Health Education Centers	47,818,875	47,818,875
University of North Carolina at Charlotte	161,588,211	167,100,852
University of North Carolina at Greensboro	145,859,443	149,948,462
University of North Carolina at Pembroke	53,241,514	54,967,129
University of North Carolina at Wilmington	94,683,871	97,233,616
Western Carolina University	84,117,070	85,393,621
Winston-Salem State University	66,379,070	69,552,386
General Administration	42,489,469	42,647,024
University Institutional Programs	132,601,272	111,329,634
Related Educational Programs	149,629,645	149,933,562
North Carolina School of Science and Mathematics	16,859,174	17,065,422
UNC Hospitals at Chapel Hill	45,673,970	45,673,970
Total University of North Carolina –		
Board of Governors	\$ 2,626,271,017	\$ 2,656,447,099

HEALTH AND HUMAN SERVICES

Department of Health and Human Services

Office of the Secretary	70,883,013	62,592,178
Division of Aging	35,943,589	35,745,179
Division of Blind Services/Deaf/HH	11,287,540	11,434,643
Division of Child Development	306,744,018	310,984,207
Division of Education Services	38,794,264	38,855,457
Division of Health Service Regulation	20,148,484	20,656,228
Division of Medical Assistance	2,920,359,272	3,389,993,470
Division of Mental Health	713,081,821	721,639,723
NC Health Choice	59,391,155	59,391,155
Division of Public Health	192,495,942	182,162,710
Division of Social Services	216,917,502	221,227,038
Division of Vocation Rehabilitation	45,054,797	45,518,365
Total Health and Human Services	\$ 4,631,101,397	\$ 5,100,200,353

NATURAL AND ECONOMIC RESOURCES

Department of Agriculture and Consumer Services	\$ 74,381,701	\$ 60,699,001
Department of Commerce		
Commerce	63,299,155	40,289,341
Commerce State-Aid	35,345,235	21,361,485
NC Biotechnology Center	15,583,395	15,583,395
Rural Economic Development Center	143,802,607	24,302,607
Department of Environment and Natural Resources	205,154,162	192,815,663
DENR Clean Water Management Trust Fund	100,000,000	100,000,000
Department of Labor	16,594,758	16,594,951

JUSTICE AND PUBLIC SAFETY

Department of Correction	\$ 1,214,065,645	\$ 1,226,627,581
Department of Crime Control and Public Safety	51,501,337	41,489,037
Judicial Department	432,747,865	452,389,917
Judicial Department – Indigent Defense	106,540,251	115,991,348
Department of Justice	94,861,199	92,171,670
Department of Juvenile Justice and Delinquency Prevention	158,002,069	139,556,104

GENERAL GOVERNMENT

Department of Administration	74,441,729	71,126,817
Office of Administrative Hearings	3,691,458	3,521,735
Department of State Auditor	12,853,026	12,746,479
Office of State Controller	20,710,191	20,727,698
Department of Cultural Resources		
Cultural Resources	74,370,782	71,881,424
Roanoke Island Commission	2,020,023	2,020,023
State Board of Elections	6,188,472	6,046,868
General Assembly	54,538,665	55,740,786
Office of the Governor		
Office of the Governor	6,262,319	6,300,587
Office of State Budget and Management	5,870,735	5,877,440
OSBM – Reserve for Special Appropriations	6,971,446	5,621,446
Housing Finance Agency	18,608,417	9,608,417
Department of Insurance		
Insurance	30,922,133	30,936,704
Insurance – Volunteer Safety		
Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	914,122	915,109
Department of Revenue	83,949,579	85,163,328
Department of Secretary of State	11,476,990	10,743,041
Department of State Treasurer		
State Treasurer	9,329,130	9,326,190
State Treasurer – Retirement for Fire and Rescue Squad Workers	9,458,957	9,458,957

TRANSPORTATION

Department of Transportation	0	0
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	490,324,192	488,655,673
Additional Salary Increase for Teacher Assistants	1,150,240	1,150,240
Additional Step to Teacher Schedule	9,862,065	9,862,065
Additional Step to Judicial Longevity	566,643	566,643
Transfer Public Defenders to Judicial Retirement	573,000	573,000
Salary Adjustment Fund: 2007-2009 Biennium	23,688,000	23,688,000
Reserve for Teachers' and State Employees' Retirement Contribution	35,705,000	35,705,000
Reserve for Retirement System Payback	45,000,000	0
Reserve for State Health Plan	110,184,490	122,890,207
Reserve for Eliminated Positions	(10,038,466)	(10,038,466)
Contingency and Emergency Fund	5,000,000	5,000,000
Information Technology Fund	9,140,000	7,840,000
BEACON HR/Payroll	20,000,000	0
Integrated Tax Administration System Replacement	5,000,000	0
Reserve for Job Development Investment Grants (JDIG)	12,400,000	12,400,000
Debt Service		
General Debt Service	608,559,372	659,016,907
Federal Reimbursement	1,616,380	1,616,380

TOTAL CURRENT OPERATIONS – GENERAL FUND	\$ 20,427,596,612	\$ 20,685,666,538
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GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2(a). Provides the General Fund availability for 2007-2009 as follows:

	FY 2007-2008	FY 2008-2009
Unappropriated Balance Remaining from Previous Year	\$ 0	\$ 271,704,098
Projected Reversions FY 2006-2007	125,000,000	0
Projected Overcollections FY 2006-2007	1,368,100,000	0
Less Earmarkings of Year End Fund Balance		0
Savings Reserve Account	(175,000,000)	0
Repairs and Renovations	(145,000,000)	0
Beginning Unreserved Fund Balance	\$ 1,173,100,000	\$ 271,704,098
Revenues Based on Existing Tax Structure	\$ 18,643,100,000	\$ 19,670,200,000
Nontax Revenues		
Investment Income	212,000,000	222,200,000
Judicial Fees	172,500,000	176,600,000
Disproportionate Share	100,000,000	100,000,000
Insurance	60,200,000	62,800,000
Other Nontax Revenues	139,300,000	153,400,000
Highway Trust Fund/Use Tax Reimbursement Transfer	172,500,000	172,500,000
Highway Fund Transfer	18,190,000	17,610,000
Subtotal Nontax Revenues	\$ 874,690,000	\$ 905,110,000

Total General Fund Availability	\$ 20,690,890,000	\$ 20,845,814,098
Adjustments to Availability: 2007 Session		
Maintain State Sales & Use Tax Rate at 4.25%	258,400,000	285,900,000
State Takeback of Local Sales Tax	0	184,200,000
State Hold Harmless for Counties	(19,300,000)	(3,700,000)
Corporate Tax Earmarking Adjustments	44,700,000	0
Earned Income Tax Credit	0	(48,300,000)
IRC Conformity	(56,900,000)	(49,100,000)
Health & Human Services/		
Health Service Regulation Fees	1,705,501	1,642,407
Secretary of State Corporate Annual Report Fees	563,016	563,016
Long-term Care Insurance Tax Credit	(7,000,000)	(7,200,000)
Adoption Tax Credit	(3,000,000)	(3,000,000)
Enhance 529 Plan Deduction (House Bill 1016)	(200,000)	(200,000)
Privilege Tax on Software Publishers	(2,800,000)	(4,000,000)
Research & Development Credit Enhancement	(400,000)	(800,000)
Modify Tax on Property Coverage Contracts	(1,500,000)	(3,100,000)
Reserve for Manufacturers' and		
Farmers Energy Tax Provisions	(10,000,000)	(20,000,000)
Nonprofit Energy Tax Credit	(500,000)	(500,000)
Credit for Constructing Renewable Fuels Facilities	0	(2,300,000)
Reserve for Work Opportunity Tax Credit	(3,000,000)	(3,000,000)
Sales Tax Refund for Aircraft Part Mfgs.	(800,000)	(800,000)
Sales Tax Refund – Research Supplies	0	(2,600,000)
Adjust Sales Tax Holiday	0	(600,000)
Sales Tax Exemption for Bakery Thrift Store	(100,000)	(100,000)
Railroad Incentives	(200,000)	(300,000)
Firefighter/EMS Income Tax Deduction	(1,000,000)	(1,000,000)
Adjust Transfer from Insurance Regulatory Fund	80,274	56,274
Adjust Transfer from Treasurer's Office	110,758	98,758
Transfer from Closed Capital Account	3,506,143	0
Judicial Fees	35,586,118	38,821,220
Subtotal Adjustments to Availability:		
2007 Session	\$ 237,951,810	\$ 360,681,675
Revised General Fund Availability	\$ 20,928,841,810	\$ 21,206,495,773
Less: General Fund Appropriations	20,658,337,712	20,685,666,538
Unappropriated Balance Remaining	\$ 270,504,098	\$ 520,829,235

REPAIRS AND RENOVATIONS RESERVE ACCOUNT

SECTION 2.2.(b), (c) No change – adopts identical House and Senate provisions.

SAVINGS RESERVE ACCOUNT

SECTION 2.2.(c1). Adopts Senate provision (8th edition), except changes the amount from \$150 to \$175 million and changes the effective date from June 30, 2003, to June 30, 2007.

TRANSFER FROM HIGHWAY TRUST FUND TO GENERAL FUND

SECTION 2.2.(d),(e) No change – adopts identical House and Senate provisions.

CLEAN WATER MANAGEMENT TRUST FUND

SECTION 2.2.(f) No change – adopts identical House and Senate provisions.

TOBACCO TRUST FUND TRANSFER

SECTION 2.2.(g). Deletes Senate provision (8th edition).

PART III. CURRENT OPERATIONS/HIGHWAY FUND

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Makes the following appropriations from the Highway Fund for the maintenance and operation of the Department of Transportation, for the biennium ending June 30, 2009

Current Operations – Highway Fund	2007-2008	2008-2009
Department of Transportation		
Administration	\$ 84,037,661	\$ 83,204,187
Division of Highways		
Administration	32,651,442	32,703,136
Construction	165,895,465	150,173,949
Maintenance	905,285,444	909,599,625
Planning and Research	4,700,000	4,700,000
OSHA Program	425,000	425,000
Ferry Operations	31,313,921	31,313,921
State Aid		
Municipalities	93,046,035	93,073,949
Public Transportation	73,466,447	73,144,229
Airports	21,860,122	19,407,815
Railroads	21,951,153	20,330,883
Governor's Highway Safety	334,314	335,449
Division of Motor Vehicles	103,676,924	100,568,704
Transfers, Other State Agencies, And Reserves	293,466,072	292,009,153
TOTAL	\$1,832,110,000	\$1,810,990,000

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability is as follows:

Highway Fund Availability Statement	2007-2008	2008-2009
Unappropriated Balance From Previous Year	\$ 0	\$ 0
Beginning Credit Balance	30,000,000	0
Estimated Revenue	1,802,110,000	1,810,990,000
Total Highway Fund Availability	\$ 1,832,110,000	\$ 1,810,990,000
Unappropriated Balance	\$ 0	\$ 0

SECTION 3.3. Deletes Senate provision (8th edition).

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Makes the following appropriations from the Highway Trust Fund for the biennium ending June 30, 2009:

Current Operations – Highway Trust Fund	2007-2008	2008-2009
Intrastate System	\$ 539,414,383	\$ 544,982,323
Urban Loops 218,116,712	220,368,154	
Aid to Municipalities	56,597,151	57,181,357
Secondary Roads	94,266,888	95,790,568
Program Administration	47,341,560	47,782,560
Transfer to General Fund	172,543,306	172,675,038
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	\$ 1,128,280,000	\$ 1,138,780,000

HIGHWAY TRUST FUND AVAILABILITY STATEMENT
SECTION 4.2. The Highway Trust Fund availability is as follows:

Total Highway Trust Fund Availability	\$ 1,128,280,000	\$ 1,138,780,000
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SECTION 4.3. Deletes Senate provision (8th edition).

PART V. OTHER AVAILABILITY AND APPROPRIATIONS

CIVIL PENALTIES AND FORFEITURE FUND AVAILABILITY AND APPROPRIATION

SECTION 5.1. Adopts Senate provision (8th edition).

EDUCATION LOTTERY

SECTION 5.2. Adopts Senate provision (8th edition), except deletes provision for transfer of excess revenues and amends GS 18C-162 to direct the Commission to allocate funds to the NC State Lottery Fund in order to increase and maximize the available revenues for education purposes.

INFORMATION TECHNOLOGY FUND AVAILABILITY AND APPROPRIATION

SECTION 5.3. Adopts Senate provision (8th edition).

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES AND RECEIPTS

SECTION 6.1. No change – adopts identical House and Senate provisions.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.2. No change – adopts identical House and Senate provisions.

REVISE FREQUENCY OF FEE REPORT

SECTION 6.3. No change – adopts identical House and Senate provisions.

BUDGET REALIGNMENT

SECTION 6.4. No change – adopts identical House and Senate provisions.

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

SECTION 6.5. Adopts Senate provision (8th edition), except deletes a reference to the Senate Appropriations Committee Reports on the Continuation, Expansion and Capital Budgets.

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS AND
REDEPLOYMENT OF RESOURCES FROM HR/PAYROLL MANAGEMENT

SECTION 6.7. Adopts Senate provision (8th edition).

BEACON DATA INTEGRATION

SECTION 6.8. Adopts Senate provision (8th edition), except adds new provision requiring the State Controller to serve as Chair of the BEACON Project Steering Committee and that the State Chief Information Officer, State Personnel Director, Deputy State Budget Director, and Department of Transportation's Chief Financial Officer also serve on the Committee. Directs that funds for BEACON data integration may be used, among other things, to conduct integration activities as approved by the BEACON Project Steering Committee. Directs the State Chief Information Officer to utilize current enterprise licensing to implement the integration activities. Deletes provision authorizing funds for BEACON data integration to be used to conduct integration activities as approved by the Governor and the General Assembly. Directs that the Office of the State Controller present the Strategic Implementation Plan to the 2007 General Assembly when it convenes in 2008 for action as appropriate. Specifies certain requirements for semiannual written and oral reports to the Joint Legislative Oversight Committee for Information Technology. Makes other conforming changes.

USE OF COLLECTION ASSISTANCE FEE

SECTION 6.9. Adopts Senate provision (8th edition), except directs that the Department of Revenue may use funds in the 20% Collection Assistance Fee Account during the 2007-08 fiscal year only to replace the Department's current computer system and reduces the maximum amount that the Department may use from the Account from \$40 to \$15 million. Adds new Section 6.9(c) to require that the Department of Revenue contract with private counsel with pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with the Integrated Tax Administration System. Specifies that G.S. 114-2.3 (use of private counsel limited) does not apply to this subsection.

OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW

SECTION 6.11. No change – adopts identical House and Senate provisions.

OFFICE OF INFORMATION TECHNOLOGY SERVICES REVIEW OF STATE IT BUDGET SUBMISSIONS

SECTION 6.12. No change – adopts identical House and Senate provisions.

GEOGRAPHIC INFORMATION SYSTEM (GIS) STUDY

SECTION 6.13. Adopts Senate provision (8th edition).

E-COMMERCE LONG-RANGE STRATEGY REPORT

SECTION 6.14. No change – adopts identical House and Senate provisions.

UNC DISTINGUISHED PROFESSOR CHALLENGE-GRANT INITIATIVE/REDUCE

BACKLOG FOR DISTINGUISHED PROFESSOR ENDOWMENT TRUST FUND PROFESSORSHIPS

SECTION 6.15. Adopts Senate provision (8th edition), except directs that funds are allocated in the Joint Conference Committee Report instead of the Senate Committee Report.

MEDICAID COUNTY SHARE RELIEF

SECTION 6.16. Deletes Senate provision (8th edition).

ELIMINATION OF VACANT POSITIONS

SECTION 6.17. Adopts Senate provision (8th edition), except requires the Office of State Budget and Management to eliminate vacant positions across State government that are funded through the General Fund to generate a recurring annual savings of \$10,038,466 for each year of the 2007-09 fiscal biennium, instead of just eliminating positions that have been vacant for more than six months as of June 30, 2007. Directs that \$10,038,466 be credited to the Reserve for Eliminated Positions, effective July 1, 2007.

STUDY OF LAPSED SALARY USE

SECTION 6.18. Adopts House provision (5th edition).

SALARY RESERVE BALANCES

SECTION 6.19. Adopts Senate provision (8th edition).

CLARIFY THE TERMS AND CONDITIONS OF EMPLOYMENT OF THE DIRECTOR OF A LOCAL MANAGEMENT ENTITY

SECTION 6.20. Adopts Senate provision (8th edition), except provides that the section is effective when the act becomes law, and directs that G.S. 122C-121(a1) and (a2), as enacted in the section, apply to salary plans submitted and contracts entered into, extended, modified, or renewed on or after that date.

CONTINUATION REVIEW OF CERTAIN FUNDS, PROGRAMS, AND DIVISIONS

SECTION 6.21. Adopts Senate provision (8th edition), except eliminates Dispute Resolution and Community Mediation Programs from those about which the Administrative Office of the Courts must provide a written report. Deletes requirement of written reports from the following: (1) the Office of Indigent Defense Services on the Division of Sentencing Services; (2) the Department of Justice on the North Carolina Legal Education Assistance Fund; (3) the Department of Crime Control and Public Safety on the North Carolina Victims Assistance Network, National Guard Tarheel Challenge Program, and Butner Public Safety Division; and (4) the Department of Commerce on Regional Partnerships, Council of Government funds, and State Aid to Nonprofits. Eliminates Senior Games from the programs about which the Department of Health and Human Services must provide a written report. Details specific information to be included in each of the reports required by the section. Makes conforming and technical changes.

LIMIT IMPERVIOUS SURFACES FOR VEHICLE PARKING (NEW)

SECTION 6.22. Adopts Senate provision (8th edition), except modifies proposed new G.S. 143-214.7(d2) to require that any area designated for use as a vehicle parking area, except for covered vehicle parking areas or multilevel vehicle parking areas, must not exceed 80% built-upon area, as defined in S.L. 2006-246. Specifies that the remaining area designed for use as a vehicle parking area must meet both the design requirements for a permeable pavement system and other design requirements for stormwater management. Effective October 1, 2008, and applies to any area designed to be used for vehicular parking for which an application for a building permit, a request for a zoning reclassification, or a subdivision plat is filed in the county or city in which the area is located on or after that date. Deletes proposed amendment to G.S. 143-215.6A(11). Directs that the Environmental Review Commission may study issues related to

the use of pervious surfaces for vehicle parking areas and report its findings and recommendations to the 2008 session of the General Assembly. Directs the Legislative Services Commission to allocate \$25,000 to conduct the study.

UNIVERSITY CANCER RESEARCH FUND

SECTION 6.23. Adopts Senate provision (8th edition), except adds new provision amending G.S. 105-113.35 to increase the excise tax levied on tobacco products other than cigarettes to 10% of the cost price (was, 3%). Directs the Secretary of Revenue to credit an amount equal to 3% of the cost price on tobacco products other than cigarettes to the General Fund and remit the remainder of the funds to the University Cancer Research Fund. Effective October 1, 2007, and applies to products acquired on or after that date, and taxes paid on or after that date. Directs that allocations from the University Cancer Research Fund be made in the discretion of the Cancer Research Fund Committee and used only for the purposes of cancer research under UNC Hospitals, the Lineberger Comprehensive Cancer Center, or both. Modifies proposed GS 116-29.1 to provide that, effective July 1 of each calendar year, the following monies are provided to the University Cancer Research Fund: (1) \$8 million from the Tobacco Trust Account; (2) the tax proceeds exceeding 3% of the cost price on tobacco products other than cigarettes, remitted by the Secretary of Revenue; and (3) an appropriation of any additional monies necessary from the General Fund to make the total monies provided to the Fund equal to at least \$50 million. Deletes provisions authorizing the University Cancer Research Fund to receive revenue from other sources and requiring the State Treasurer to hold the Fund separate and apart from all other moneys, funds, and accounts. Makes conforming changes by deleting Section 6.23(b) and 6.23(c). Establishes a seven-member Cancer Research Fund Committee, details requirements for membership and certain meeting and quorum requirements. Appropriates \$5.6 million for fiscal year 2007-08 and \$15.5 million for fiscal year 2008-09 from the General Fund to the University Cancer Research Fund, notwithstanding requirement that the Secretary of Revenue transfer monies from the General Fund to the University Cancer Research Fund to make the total monies provided to the University Cancer Research Fund equal to at least \$50 million each year.

STATE SUPPORT OF OUR MILITARY PERSONNEL

SECTION 6.24. Adopts Senate provision (8th edition).

MODIFY HOURS OF SALE FOR PERMITTEES AUTHORIZED TO ENGAGE IN IN-STAND SALES PURSUANT TO G.S. 18B-1009.

SECTION 6.25. Adopts new provision to add new subsection to G.S. 18B-1006 to specify that the hours for sales and consumption of alcoholic beverages on the premises of a permittee who meets the requirements of G.S. 18B-1009 must be one hour earlier than permitted by G.S. 18B-1004(c).

PART VII. PUBLIC SCHOOLS

TEACHER SALARY SCHEDULES

SECTION 7.1. Adopts compromise provision to provide a 31-step salary schedule for teachers as follows: "A" teachers, \$2,975 to \$5,208 per month; National Board for Professional Teaching Standards (NBPTS) certified "A" teachers, \$3,603 to \$5,833 per month; "M" teachers, \$3,273 to \$5,729 per month; and NBPTS certified "M" teachers, \$3,964 to \$6,416 per month.

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2 No change – adopts identical House and Senate provisions.

CENTRAL OFFICE SALARIES

SECTION 7.3. Adopts Senate provision (8th edition).

NONCERTIFIED PERSONNEL SALARIES

SECTION 7.4. Adopts Senate provision (8th edition).

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 7.5 Adopts House provision (5th edition).

USE OF SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.6. No change – adopts identical House and Senate provisions

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.7. Adopts Senate provision (8th edition).

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.8. Adopts Senate provision (8th edition), except makes changes to the teacher to student ratios used in calculating the Disadvantaged Student Supplemental Funding allotment.

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

SECTION 7.9. No change – adopts identical House and Senate provisions.

CHILDREN WITH DISABILITIES

SECTION 7.10. Adopts identical House and Senate provisions, except that it directs the State Board of Education (SBE) to allocate funds for children with disabilities at the rate of \$3,199.57 per child (was, \$3,186.57) for a maximum of 171,617 children (was, 172,317) for the 2007-08 school year.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.11. No change – adopts identical House and Senate provisions.

EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

SECTION 7.12. No change – adopts identical House and Senate provisions.

LITIGATION RESERVE FUNDS

SECTION 7.13. No change – adopts identical House and Senate provisions.

REPLACEMENT SCHOOL BUSES FUNDS

SECTION 7.14. No change – adopts identical House and Senate provisions.

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 7.15. No change – adopts identical House and Senate provisions.

CHARTER SCHOOL EVALUATION

SECTION 7.16. Adopts House provision (5th edition).

MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

SECTION 7.17. No change – adopts identical House and Senate provisions.

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.18. No change – adopts identical House and Senate provisions.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.19. Adopts Senate provision (8th edition).

NORTH CAROLINA VIRTUAL PUBLIC SCHOOL

SECTION 7.20. Adopts identical House and Senate provisions, except allows the SBE to use its discretion in deciding whether to convert the 22 three-month positions that were authorized for NC Virtual Public Schools in SL 2006-66 to five full-time positions and reorganizes the subdivisions.

SMALL RESTRUCTURED HIGH SCHOOLS

SECTION 7.21 No change – adopts identical House and Senate provisions.

NC WISE POSITIONS

SECTION 7.22. No change – adopts identical House and Senate provisions.

21ST CENTURY LITERACY COACHES

SECTION 7.23. Adopts Senate provision (8th edition), except reinstates House provision (5th edition) that allows National Board for Professional Teaching Standards (NBPTS) certified teachers to serve as coaches and remain on the NBPTS salary schedule.

MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS

SECTION 7.24. Adopts identical House and Senate provisions, except adopts provision directing that any age-eligible child of active duty members of the armed forces, or a member of the armed forces injured or killed while on active duty, is eligible for the More at Four Program (MFP). Also provides that a county unable to provide the required local contribution for the additional slots allocated to the county for 2007-08 because of a documented lack of resources may appeal to the Office of School Readiness (OSR) for an exception to the required local amount for those additional slots. Provides criteria for the OSR to use in evaluating the appeal.

ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM

SECTION 7.25. No change – adopts identical House and Senate provisions.

NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES

SECTION 7.26. No change – adopts identical House and Senate provisions.

LEARN AND EARN ONLINE

SECTION 7.27. Adopts identical House and Senate provisions, except provides that local school administrative units may purchase textbooks for Learn and Earn Online (LEO) courses through the Department of Public Instruction's (DPI) textbook warehouse. Also enacts new GS 115D-1.2 to permit public school students enrolled in grades 9-12, who are participating in the LEO program to receive college credit via enrollment in online courses offered by a community college. Directs the State Board of Community Colleges, in consultation with DPI, to adopt rules for to implement this provision beginning with the 2007-08 school year.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.28. Adopts Senate provision (8th edition), except that it (1) removes the requirement that the entity with whom the SBE contracts to serve as the administrator of the School Connectivity Initiative (Initiative) have existing core network capability; (2) allows the SBE to use up to \$1 million to establish up to eight regional positions or contract for services regionally to assist local school administrative units in implementing the Initiative; and (2) requires that the plan for implementation of the Initiative is to include assurances that local school administrative units will take certain affirmative steps to support the Initiative in their schools.

REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.29. No change – adopts identical House and Senate provisions.

STUDY OF PUBLIC SCHOOL FUNDING FORMULAS

SECTION 7.31. Adopts House provision (5th edition), except adds the *academically or intellectually gifted funding formula* to the list of formulas to be studied by the Joint Legislative Study Committee on Public School Funding Formulas.

DROPOUT PREVENTION GRANTS

SECTION 7.32. Adopts compromise provision to (1) include findings regarding dropout rates in NC; (2) direct that five members, representing specified categories, are to be appointed to the Committee on Dropout Prevention (CDP) by the Governor, the President Pro. Tem of the Senate, and the Speaker of the House, respectively; (3) direct that the CDP issue dropout grants in varying amounts up to a maximum of \$150,000 and provides additional criteria regarding the administration and awarding of the grants; (4) create the Joint Legislative Commission on Dropout Prevention (Commission) and provide criteria for selection of members and the operation of the Commission; and (5) direct the CDP to report to the Commission by December 1, 2007, on the grants awarded by the CDP, after which time the CDP will terminate.

HIGH PRIORITY SCHOOLS

SECTION 7.34. No change – adopts identical House and Senate provisions.

DISTANCE EDUCATION

SECTION 7.35. No change – adopts identical House and Senate provisions.

CHILD NUTRITION (NEW)

SECTION 7.36. In the 5th edition (House) and 8th edition (Senate) this provision dealt with Child Nutrition Operating Funds; Adopts new provision, *Child Nutrition Program Standards*. Current law requires the SBE, in consultation with local directors of child nutrition services, to establish statewide nutrition standards for public school food programs. Amends GS 115C-264.3 (child nutrition program standards) to require that all elementary schools achieve a basic level of implementation of these standards by the end of the 2008-09 (was 2007-08) school year, to be followed by middle schools, then high schools. Encourages local education agencies (LEAs) to implement the nutrition program standards under GS 115C-264.3 by the end of the 2007-08 school year using existing funds. Directs the Child Nutrition Services Section of DPI to study how state funds allocated to support the implementation of nutrition standards in elementary schools should be distributed to ensure fair and equitable distribution, and to report its findings and recommendations to the Joint Legislative Education Oversight Committee (JLEOC) during the 2008 Regular Session of the General Assembly.

The General Assembly urges the Director of the State Budget to include in the proposed Continuation Budget the amount required to ensure that all kindergarten students in schools that meet the eligibility percentage authorized by the State Board of Education (SBE) receive a free breakfast. Directs that the SBE not adjust the eligibility percentage below 39.04% unless the General Assembly funds an expansion of the program.

FUNDS FOR SCHOOL TECHNOLOGY PILOT

SECTION 7.39. Adopts new provision to establish a school technology pilot program at eight pilot high schools selected by LEAF and DPI. Directs how allocated funds may be used. Directs the SBE to report to the JLEOC, the Office of State Budget and Management, and the Fiscal Research Division on the results of the pilot program by March 15, 2009. Provides that unused funds at the end of 2007-08 fiscal year do not revert.

ADM CONFORMITY

SECTION 7.40. Adopts new provision to repeal Section 8 of SL 2007-145 (which provided an appropriation of \$162,400,000, effective July 1, 2007, from the General Fund to the Department of Public Instruction to fully fund the increase in average daily membership, subject to adjustment by the General Assembly).

PART VIII. COMMUNITY COLLEGES

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM PROJECT

SECTION 8.1. No change – adopts identical House and Senate provisions.

CARRYFORWARD OF EQUIPMENT FUNDS FOR COMMUNITY COLLEGES

SECTION 8.2. No change – adopts identical House and Senate provisions.

INSTRUCTIONAL RESOURCE ALLOCATION FORMULA

SECTION 8.3. No change – adopts identical House and Senate provisions.

REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES

SECTION 8.4. No change – adopts identical House and Senate provisions.

COMMUNITY COLLEGE FACULTY SALARY PLAN

SECTION 8.5. No change – adopts identical House and Senate provisions.

STUDY COMMUNITY COLLEGE ACCESS

SECTION 8.6. Adopts compromise provision that is the same as the Senate provision except that it also requires the Joint Legislative Education Oversight Committee to address as part of its study the State Board of Community Colleges' policy and procedure for approving new programs and whether consolidation of high-cost programs at regional locations would be less costly. Directs the Joint Legislative Education Oversight Committee (JLEOC) to report the study results to the General Assembly before April 30, 2008.

COMMUNITY COLLEGE CONNECTIVITY FUNDS

SECTION 8.7. No change – adopts identical House and Senate provisions.

STUDY OF FTE FUNDING FORMULA

SECTION 8.8. Adopts Senate provision (8th edition).

REALIGNMENT OF STATE AID ALLOCATIONS

SECTION 8.9. No change – adopts identical House and Senate provisions.

COMMUNITY COLLEGES FACILITIES AND EQUIPMENT FUNDS

SECTION 8.10. Adopts House provision (5th edition), except appropriates \$15,000,000 (was, \$12,370,000) in 2007-08 fiscal year to the Community College Facilities and Equipment Fund.

EDUCATION INSIGHT PROJECT EXEMPT FROM CERTAIN INFORMATION

TECHNOLOGY LAWS

SECTION 8.12. Deletes Senate provision (8th edition).

USE OF FUNDS FOR CENTRAL CAROLINA COMMUNITY COLLEGE

SECTION 8.13. Adopts new provision to provide that unused funds appropriated by the 2005 General Assembly for equipment and capital improvements at the Harnett County Campus of the Central Carolina Community College (CCCC) may be used by CCCC for a maintenance building on the Harnett County Campus.

PART IX. UNIVERSITIES

NC SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH FORMULA

SECTION 9.1. No change – adopts identical House and Senate provisions.

REPORTING ON UNC FACULTY WORKLOAD

SECTION 9.2. No change – adopts identical House and Senate provisions.

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.3. Adopts identical House and Senate provisions, except increases the appropriation from the Escheat Fund income to the University of North Carolina Board of

Governors from \$75,638,016 in the 2007-08 and 2008-09 fiscal years, respectively, to \$103,243,226 for the 2007-08 fiscal year and \$124,831,216 for the 2008-09 fiscal year.

BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS

SECTION 9.4. No change – adopts identical House and Senate provisions.

BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS

SECTION 9.5. No change – adopts identical House and Senate provisions.

GRADUATE NURSE SCHOLARSHIP LOANS FOR FULL-TIME NURSING FACULTY IN THE NC COMMUNITY COLLEGE SYSTEM

SECTION 9.6. No change – adopts identical House and Senate provisions.

ESTABLISH THE EDUCATION ACCESS REWARDS NORTH CAROLINA SCHOLARS FUND (EARN)

SECTION 9.7. Adopts compromise provision that is the same as the Senate provision except that it appropriates \$27,605,210 for 2007-08 and \$60,000,000 for 2008-09 from the General Fund to the State Education Assistance Authority. Appropriates \$40,000,000 for 2008-09 from the Escheat Fund to the State Education Assistance Authority and provides that no funds from the Escheat Fund are to be used until all the monies from the General Fund appropriated under the section have been exhausted. Requires the Director of the Budget to include the amount necessary to fully fund the EARN grants for all eligible students in the 2009-2011 continuation budget.

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

SECTION 9.8. No change – adopts identical House and Senate provisions.

FUTURE TEACHERS OF NC SCHOLARSHIP LOAN PROGRAM

SECTION 9.9. No change – adopts identical House and Senate provisions.

PRINCIPALS' EXECUTIVE PROGRAM

SECTION 9.10. No change – adopts identical House and Senate provisions.

REPEAL NORTH CAROLINA PROGRESS BOARD

SECTION 9.11. No change – adopts identical House and Senate provisions.

REVERT MOTORSPORTS CAPITAL ACCOUNT

SECTION 9.12. No change – adopts identical House and Senate provisions.

LEGISLATIVE TUITION GRANT FOR PART-TIME STUDENTS

SECTION 9.13. Adopts House provision (5th edition), except (1) adds clarifying subheadings to some subsections; (2) amends some subheadings; and (2) deletes subsections 9.13.(c) [providing guidelines for grant fund distribution in the event there are insufficient funds to provide each student with a full grant or prorated grant], and 9.13.(d) [providing that the section applies to the 2007-08 academic year and each subsequent year].

TRANSFER AGRICULTURAL RESEARCH STATIONS AND RESEARCH FARMS FROM THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO UNC BOARD OF GOVERNORS FOR NC STATE UNIVERSITY

Deletes Senate provision (8th edition).

UNC ITEMIZED BUDGET REQUEST FOR 2009-2011 FISCAL BIENNIUM

SECTION 9.16. Adopts Senate provision (8th edition), except provides that the requirements of the section are in addition to those imposed by GS Chapter 143C and GS 116-11, and makes conforming changes.

STATE SUPPORT FOR HIGHER EDUCATION COSTS

SECTION 9.17. Deletes Senate provision (8th edition).

ESTABLISH THE JOHN B. MCLENDON LEADERSHIP AWARDS

SECTION 9.18. Adopts new provision enacting new GS 116-209.40 to establish the John B. McLendon Scholarship Fund (JBMS Fund) as a special fund to be administered by the State Education Assistance Authority (SEAA). Grants rule-making authority to SEAA to administer the fund. Allocates \$500,000 of the funds appropriated to the SEAA for 2007-08 to the JBMS Fund. Provides that the section becomes effective July 1, 2007, but directs that no scholarship is to be awarded under the section before the 2008-09 academic year.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

PHYSICIAN SERVICES

SECTION 10.1. No change – adopts identical House and Senate provisions.

LIABILITY INSURANCE

SECTION 10.2. No change – adopts identical House and Senate provisions.

FUNDS FOR JIM "CATFISH" HUNTER CHAPTER OF THE ALS ASSOCIATION

SECTION 10.3. No change – adopts identical House and Senate provisions.

DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.4. No change – adopts identical House and Senate provisions.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.5. Adopts House provision (5th edition), except deletes eligibility requirement for adults 55 years of age or older who qualify for services through the Division of Services for the Blind, Independent Living Rehabilitation Program.

COMMUNITY HEALTH CENTER CHANGES

SECTION 10.6. Adopts identical House and Senate provisions, except changes appropriation of \$7 million in recurring funds for the 2007-08 fiscal year to \$2 million in recurring funds and \$5 million in nonrecurring funds.

FUNDS TO ASSIST RURAL HOSPITALS

Adopts House provision (5th edition), except deletes appropriation of \$2 million for the 2008-2009 fiscal year.

TRANSFER SHIP FUNDS TO DEPARTMENT OF INSURANCE.

SECTION 10.8. Adopts House provision (5th edition), except decreases appropriation from \$500,000 to \$250,000.

COLLABORATION AMONG DEPARTMENTS OF ADMINISTRATION, HEALTH AND HUMAN SERVICES, JUVENILE JUSTICE AND DELINQUENCY PREVENTION, AND PUBLIC INSTRUCTION ON SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.9. Adopts Senate provision (8th edition).

COMPREHENSIVE TREATMENT SERVICES PROGRAM/ESTABLISHMENT OF TASK FORCE ON THE COORDINATION OF CHILDREN'S SERVICES

SECTION 10.10. No change – adopts identical House and Senate provisions.

SENIOR CENTER OUTREACH

SECTION 10.11. No change – adopts identical House and Senate provisions.

QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT CARE HOMES

SECTION 10.12. No change – adopts identical House and Senate provisions.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.13. Adopts House provision (5th edition), except reduces the proposed maximum monthly rate for residents in adult care home facilities to \$1,173 per month per resident (was \$1,178).

SPECIAL ASSISTANCE IN-HOME

SECTION 10.14. No change – adopts identical House and Senate provisions.

CHILD CARE SUBSIDY RATES

SECTION 10.15. No change – adopts identical House and Senate provisions.

CHILD CARE ALLOCATION FORMULA

SECTION 10.16. No change – adopts identical House and Senate provisions.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.17. No change – adopts identical House and Senate provisions.

CHILD CARE REVOLVING LOAN

SECTION 10.18. No change – adopts identical House and Senate provisions.

CHILD CARE MARKET RATE ADJUSTMENTS

SECTION 10.18A. Adopts Senate provision (8th edition).

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.19. No change – adopts identical House and Senate provisions.

EQUAL ALLOCATIONS FOR EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES

SECTION 10.19A. Deletes Senate provision (8th edition).

NCPD PERSONNEL RECORD PROTECTION

SECTION 10.19B. Adopts Senate provision (8th edition).

EVALUATION OF EDUCATIONAL SERVICES TO STUDENTS WITH HEARING AND VISUAL IMPAIRMENTS

SECTION 10.20. Adopts Senate provision (8th edition).

EARLY INTERVENTION SERVICES REPORT

SECTION 10.21. Adopts Senate provision (8th edition).

COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.22. Adopts Senate provision (8th edition), except increases the allocation to \$2.5 million (was, \$2,352,468). Deletes the requirement that a special fund be created and instead requires that funds be awarded as a grant-in-aid to honor the memory of specified deceased members of the General Assembly. Increases the amount of funds directed for this purpose to \$500,000 (was, \$352,468). Requires the Secretary of Health and Human Services to send to each grantee organization a letter stating that the award is made in honor of the memory and in recognition of the recent deaths of the General Assembly members.

FUNDS FROM HEALTH AND WELLNESS TRUST FUND FOR NORTH CAROLINA TOBACCO QUITLINE

SECTION 10.22A. Adopts new provision to authorize the Health and Wellness Trust Fund Commission to allocate up to \$300,000 from the Health and Wellness Trust Fund funds in the 2007-08 fiscal year to support the North Carolina Tobacco Quitline. The funds will supplement, not supplant, other funds allocated from the Trust Fund for this purpose.

FUNDS FOR SCHOOL NURSES

SECTION 10.23. Adopts Senate provision (8th edition), except increases appropriation for the 2007-08 fiscal year from \$1.2 to \$2.7 million and for the 2008-09 fiscal year from \$3.1 to \$3.3 million.

PUBLIC HEALTH FUNDS TO AID COUNTIES

SECTION 10.24. Adopts House provision (5th edition), except decreases the appropriations for both the 2007-08 and 2008-09 fiscal years from \$4 to \$2 million each year.

HEALTH PROMOTION AND DISEASE PREVENTION INVENTORY AND PLAN

SECTION 10.25. No change – adopts identical House and Senate provisions.

FUNDS FOR HEALTH CARE IN HONOR OF THE MEMORY OF SENATOR JEANNE H. LUCAS

SECTION 10.25A. Adopts Senate provision (8th edition), except deletes Eliminating Health Disparities Initiative as one of the programs, the funds of which must be appropriated to honor and in memory of Senator Jeanne H. Lucas.

AIDS DRUG ASSISTANCE PROGRAM

SECTION 10.26. No change – adopts identical House and Senate provisions.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.28. No change – adopts identical House and Senate provisions.

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.29. No change – adopts identical House and Senate provisions.

CHILD CARING INSTITUTIONS

SECTION 10.30. No change – adopts identical House and Senate provisions.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.31. No change – adopts identical House and Senate provisions.

LIMITATION ON STATE ABORTION FUND

SECTION 10.32. No change – adopts identical House and Senate provisions.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE

ENHANCEMENTS

SECTION 10.33. No change – adopts identical House and Senate provisions..

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.34. Adopts House provision (5th edition), except decreases the appropriations from the Escheat Fund to the Department of Health and Human Services to implement a child welfare postsecondary support program for the educational needs of certain foster youth to \$1,553,600 for the 2007-2008 fiscal year (was, \$3,107,200) and \$3,168,250 for the 2008-2009 fiscal year (was, \$6,336,500). Adds additional appropriations from the General Fund of \$1,553,600 for the 2007-08 fiscal year and \$3,168,250 for the 2008-09 fiscal year. Directs that use of funds must be to assist with the “cost of attendance” as defined in 20 U.S.C. Sect. 1087II.

Decreases appropriations from the General Fund to the Department of Health and Human Services (DHHS) to contract with an entity to develop and administer the child welfare postsecondary support program to \$400,000 for the 2007-08 fiscal year (was, \$650,000) and \$500,000 for the 2008-09 fiscal year (was, \$650,000). Requires that the development and administration of the program include the performance of case management services.

TANF BENEFIT IMPLEMENTATION

SECTION 10.35. No change – adopts identical House and Senate provisions.

CLARIFY REVIEW AND SUBMISSION PROCESS FOR TANF STATE PLAN

SECTION 10.35A. Adopts Senate provision (8th edition).

MEDICAID

SECTION 10.36. Adopts identical House and Senate provisions, except changes the allocation of the nonfederal cost of Medicaid according to the following schedule: (1) effective October 1, 2007, the State must pay 88.75% and the county must pay 11.25% of the nonfederal costs of applicable services and the federal Medicare Part D clawback payments; (2) effective July 1, 2008, the State must pay 92.5% and the county must pay 7.5% of the nonfederal costs of applicable services and the federal Medicare Part D clawback payments; and (3) effective July 1, 2009, the State must pay 100% and the county must pay 0% of the nonfederal costs of applicable services and the federal Medicare Part D clawback payments. Adds category for family size of 7 to the chart of income eligibility standards for Medicaid and sets the income level for a family of 7 at \$8,952 for Standard of Need for Work First Family Assistance funds, \$4,476 for Work First Family Assistance funds, and \$6,000 for Aid to the Aged, Aid to the Blind, and Aid to the Disabled funds. Changes effective date of provision requiring the Department of Health and Human Services to provide Medicaid coverage to certain independent foster care adolescents to October 1, 2007. Changes effective date of provision requiring prior authorization on all personal care services to October 1, 2007. Adds new provision requiring that a determination and notification of approval or denial of personal care services be made within 7 working days of receipt of the request. Adds new provision requiring that DHHS report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by May 1, 2008, on the implementation of prior authorization requirement. Specifies information that must be contained in the report. Modifies provision requiring prior authorization for requirements or other restrictions on medications prescribed for Medicaid recipients for the treatment of mental illness or HIV/AIDS as follows: (1) deletes conditions that must be met before DHHS can impose prior authorization or other restrictions; (2) requires DHHS to continually review utilization of medications under the State Medical Assistance Program prescribed for Medicaid patients for the treatment of mental illness; (3) requires DHHS implement clinical edits that target inefficient, ineffective, or potentially harmful prescribing patterns for individuals 18 years of age or under who are prescribed three or more psychotropic medications and requires peer-to-peer consultations with the target prescribers when such patterns are identified; and (4) requires DHHS to report on the implementation of this program to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by January 1, 2008, and quarterly thereafter. Deletes requirement that DHHS adopt temporary or emergency rules when the rules are necessary to address the requirements and procedures for enrollment and disenrollment of Medicaid providers and to enhance the quality of care of services. Adds new provision requiring DHHS to adopt rules requiring providers to attend training as a condition of enrollment.

MEDICAID COST-CONTAINMENT ACTIVITIES

SECTION 10.37. No change – adopts identical House and Senate provisions.

COUNTY MEDICAID COST-SHARE

SECTION 10.38. Deletes Senate provision (8th edition).

DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS

SECTION 10.39. No change – adopts identical House and Senate provisions.

SKILLED NURSING FACILITY REIMBURSEMENT RATES

SECTION 10.39A. Adopts new provision to require DHHS, Division of Medical Assistance, to rebase the rates for the case-mix reimbursement system for skilled nursing facilities as follows: (1) effective January 1, 2008, one-half of the rate rebasing must be implemented using 2005 audited cost data and (2) effective January 1, 2009, the remaining half of the rate rebasing must be implemented using 2006 audited cost data, if available; otherwise 2005 audited cost data must be used. Requires that funding for inflationary increases for skilled nursing facilities for the 2007-08 and 2008-09 fiscal years be used to implement the rebasing of rates. Requires that the skilled nursing provider assessment be increased by \$1.00, effective January 1, 2008, and an additional \$1.00, effective January 1, 2009. Directs that revenue from the increased provider assessment be used to reduce State appropriations needed to rebase the rates for the case-mix reimbursement system for skilled nursing facilities. Directs DHHS, Division of Medical Assistance, to develop a schedule for ongoing rebasing of rates for the case-mix reimbursement system for skilled nursing facilities. Requires DHHS to report on the implementation of this system to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division by December 1, 2008.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.40. Adopts Senate provision (8th edition).

REQUIRED DATA SHARING BY PRIVATE INSURERS

SECTION 10.40A. Deletes Senate provision (8th edition).

LIMITATION ON PROVIDER INCREASES

SECTION 10.40B. Deletes Senate provision (8th edition).

TRANSFER OF ASSETS PERMANENT RULE EFFECTIVE DATE

SECTION 10.40C. Deletes Senate provision (8th edition).

MMIS CAPABILITIES

SECTION 10.40D. Adopts Senate provision (8th edition), except directs that it is a top priority for DHHS to fully develop the replacement of the Medicaid Management Information System (MMIS+). Specifies that DHHS must adopt a plan to ensure the timely and effective implementation of specified future enhancements but states that the enhancements must not delay the procurement or implementation of the core system. Directs DHHS to engage the services of a private counsel with the pertinent information technology and computer law expertise to review requests for proposal and to negotiate and review contracts associated with MMIS+. Directs DHHS to make a detailed interim report, containing certain specified information, by January 1, 2008, and a final report on the total costs and functionality of the MMIS+ system by May 1, 2008.

CRITICAL ACCESS PHARMACY SUPPLEMENTAL PAYMENTS

SECTION 10.40E. Deletes Senate provision (8th edition).

PILOT PROGRAM/MEDICAID DUAL ELIGIBLE SPECIAL NEEDS PLAN

SECTION 10.40F. Adopts Senate provision (8th edition).

IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT PROGRAM

SECTION 10.41. No change – adopts identical House and Senate provisions.

DELAY EFFECTIVE DATE OF CHANGES TO MEDICAID ESTATE RECOVERY PLAN

SECTION 10.42. Adopts House provision (5th edition), except changes effective date to July 1, 2008 (was, July 1, 2009), unless the effective date conflicts with the effective date of a provision in House Bill 1537, enacted by the 2007 General Assembly, in which case the effective date in House Bill 1537 applies.

TICKET TO WORK EFFECTIVE DATE CHANGE

SECTION 10.43. Deletes Senate provision (8th edition).

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS

REIMBURSEMENT SYSTEM

SECTION 10.44. No change – adopts identical House and Senate provisions.

FAMILIES PAY PART OF THE COST OF SERVICES UNDER THE CAP-MR/DD PROGRAM AND THE CAP-CHILDREN'S PROGRAM BASED ON FAMILY INCOME

SECTION 10.45. Adopts Senate provision (8th edition), except requires the Department of Health and Human Services to report on the cost-sharing requirements to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse

Services and Bridge Funding Needs, and to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division by March 1, 2008. Directs that any savings realized from the implementation of the cost-sharing must remain in the CAP-MR/DD and CAP-C programs and used to fund additional CAP-MR/DD and CAP-C slots.

SECTION 10.45A. Deletes Senate provision (8th edition).

CONTINUE EFFORTS TO EXPAND COMMUNITY CARE AND IMPROVE QUALITY OF CARE FOR AGED, BLIND, AND DISABLED MEDICAID RECIPIENTS

SECTION 10.46. No change – adopts identical House and Senate provisions.

NC HEALTH CHOICE ENROLLMENT

SECTION 10.47. No change – adopts identical House and Senate provisions.

NC KIDS' CARE STUDY

SECTION 10.48. Adopts compromise provision to appropriate \$368,000 for the 2007-08 fiscal year to DHHS, Division of Medical Assistance, to produce a report that identifies the most cost-efficient and cost-effective method for developing and implementing a program of comprehensive health care benefits within available funding for children ages 0 through 18 in families with annual incomes between 200% and 300% of the federal poverty level. Specifies certain criteria that must be considered. Requires DHHS to submit an interim report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by January 1, 2008. Directs that \$7 million of the funds appropriated to DHHS be used to implement a program to expand access to health insurance to children above 200% of the federal poverty level, effective July 1, 2008.

BUILD COMMUNITY INFRASTRUCTURE FOR MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT.

SECTION 10.49(a-f). Adopts Senate provision (8th edition), except deletes provision governing consequences of a local management entity to being unwilling to contract with a substance abuse provider. Decreases appropriation to \$500,000 for fiscal year 2007-08 (was, \$571,061) and to \$700,000 for fiscal year 2008-09 (was, \$736,061). Modifies authorization of local management entity to use up to 1% of the funds allocated to it for substance abuse treatment services to provide nominal incentive for consumers who achieve specified treatment benchmarks to require that it be in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

ADDITIONAL HOUSING ASSISTANCE.

SECTION 10.49(g-l). Specifies that unless prohibited by federal law, in awarding funds for financing independent- and supportive-living apartments for persons with disabilities, the Housing Finance Agency must give first priority to those housing developments with a local management entity as the lead agency. Deletes requirement that the plan to be adopted by DHHS and the North Carolina Housing Finance Agency (NCHFA) for the most efficient and effective use of State resources in the financing and construction of additional independent-and supportive-living apartments for individuals with mental health, developmental, or substance abuse disabilities must address gaps in the housing continuum identified by the study that DHHS will conduct during fiscal years 2007-08 and 2008-09. Requires DHHS and NCHFA to submit an interim report, which includes certain specified information, to the Joint Legislative Oversight committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by March 1, 2008, and to submit a final report by March 1, 2009. Requires DHHS to report to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services before implementing a definition and rate for transitional residential treatment programs. Directs that DHHS report to the Committee by March 1, 2008, on the implementation of transitional residential treatment program. Modifies effective date on provision requiring DHHS to complete the development of a Uniform Screening Tool to no later than January 1, 2008. Directs DHHS to report on the status of the Uniform Screening Tool development to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by October 1, 2007. Deletes provisions in Section 10.49(l) and adds new provision amending G.S. 122C-115.4(b)(5) to redefine the primary functions of a local management entity.

CRISIS AND ACUTE CARE SERVICES.

SECTION 10.49(m-u). Adopts Senate provision (8th edition), except decreases appropriation to DHHS, Division of Mental Health, Developmental Disabilities, for crisis services to \$13,737,856 (was, \$14,137,857). Deletes requirement that DHHS implement a system for reporting to local management entities information regarding visits to community hospital emergency departments by individuals who are in crisis due to a mental illness, a developmental disability, or a substance abuse disorder no later than 90 days after the enactment of the Current Operations and Capital Appropriations Act for the 2007-09 fiscal biennium. Directs that DHHS select up to three local management entities in the same catchment area and at least one local management entity in a different catchment area that submit a proposal to participate in a 19-month pilot program to reduce State psychiatric hospital use and to increase local services for persons with mental illness. Makes other technical changes. Directs that the final report by DHHS on the pilot programs established in the section include a description of the pilot local management entities' success in working with local hospitals and the resulting reductions in the use of emergency rooms, jails, and State facilities.

USE OF MENTAL HEALTH TRUST FUNDS.

SECTION 10.49(v-x). Adopts Senate provision (8th edition), except directs that any remaining funds in the Mental Health Trust Fund for increasing community-based services must be disbursed in full by DHHS to local management entities by October 1, 2007. Requires that funds received by local management entities for this purpose and not expended or encumbered by June 30, 2009, will revert to the Mental Health Trust Fund. Adds new Section 10.49(w3) to authorize DHHS to use up to \$1.5 million in each of the 2007-08 and 2008-09 fiscal years from the Mental Health Trust Fund for purposes authorized under G.S. 143C-9-2(b)(1), (3), and (4).

STRENGTHEN THE SERVICES NETWORK.

SECTION 10.49(y-aa). Adopts Senate provision (8th edition), except requires that DHHS designate two additional local management entities to receive all state allocations through single stream funding by September 1, 2007. Requires that DHHS develop and implement clear standards for how a local management entity qualifies for single stream funding by October 1, 2007. Authorizes DHHS to adopt temporary rules in accordance with Chapter 150B of the General Statutes in order to implement the standards by October 1, 2007. Adds Sandhills and Five County to the list of local management entities that will continue to receive State allocations through single stream funding. Adds new Section 10.49(z1) to direct the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services to study whether and under what circumstances it would be appropriate for a local management entity to be a service provider. The Committee must report its findings to the 2008 Regular Session of the 2007 General Assembly. Makes other technical changes.

FILLING SERVICE GAPS.

SECTION 10.49(bb-ee). Adopts Senate provision (8th edition), except modifies criteria for the necessary management policies and practices to be adopted by DHHS to avoid overutilization of community support services and overexpenditure of funds for these services to require that providers are limited to four hours of community support for adults and eight hours of community support for children to develop the person-centered plan. Specifies that the hours must be provided only by a qualified professional, and requires providers that determine that additional hours are needed to seek and obtain prior approval. Modifies reporting requirement to begin on October 1, 2007, and specifies certain additional information that must be included in the monthly reports. Directs that, if possible, DHHS should modify the Medicaid claims payment processing system so that providers will be required to identify, by claim, whether the service was provided by a qualified professional or a paraprofessional. Modifies criteria for standards for determining local management entity capability to perform utilization review and utilization management. Requires DHHS to adopt statewide standardized authorization procedures and processes for Medicaid utilization review by January 1, 2008, and specifies certain preliminary steps toward that requirement.

LME ADMINISTRATIVE FUNDING.

SECTION 10.49(ff-kk). Adopts Senate provision (8th edition), except increases amount of funds that DHHS may use to contract with the University of North Carolina at Chapel Hill, Kenan

Flagler Business School, to provide administrative training to local management entities to \$500,000 (was, \$250,000). Deletes provisions in Section 10.49(ii). Makes conforming changes.

DEVELOPMENTAL CENTER DOWNSIZING

SECTION 10.50. No change – adopts identical House and Senate provisions.

DHHS POLICIES AND PROCEDURES IN DELIVERING COMMUNITY MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

SECTION 10.51. No change – adopts identical House and Senate provisions.

SERVICES TO MULTIPLY DIAGNOSED ADULTS

SECTION 10.52. No change – adopts identical House and Senate provisions.

DEPARTMENTAL FLEXIBILITY IN SCHEDULING THE TRANSFER OF POSITIONS PERTAINING TO THE CLOSURE OF DOROTHEA DIX AND JOHN UMSTEAD HOSPITALS AND THE OPENING OF CENTRAL REGIONAL HOSPITAL

SECTION 10.53. Adopts Senate provision (8th edition).

INSTITUTE OF MEDICINE TASK FORCE/STUDY OF SUBSTANCE ABUSE SERVICES IN NORTH CAROLINA

SECTION 10.53A. Adopts Senate provision (8th edition).

FUNDS FOR HEALTH CARE PERSONNEL REGISTRY POSITIONS CONTINGENCY

SECTION 10.54. Adopts House provision (5th edition), except adds provision making funds appropriated to DHHS, Division of Health Service Regulation, for the 2007-08 and 2008-09 fiscal years for implementation of rated certificates for adult care homes contingent upon enactment of Senate Bill 56, 2007 Regular Session, by the 2007 General Assembly.

DHHS BLOCK GRANTS

SECTION 10.55(a). Adopts Senate provision (8th edition), except makes the following changes in appropriations from federal block grant funds: (1) decreases appropriation to Work First Family Assistance (Cash Assistance) to \$94,857,234 (was, \$95,807,234); (2) increases appropriation to Work First—Boys and Girls Club to \$2 million (was, \$1.5 million); (3) adds new appropriation of \$450,000 to Teen Pregnancy Prevention Initiatives; (4) increases appropriation to Subsidized Child Care Services to \$166,914,864 (was, \$163,231,913); (5) increases appropriation to Administrative Expenses (Nondirect Subsidy Services Support) to \$2,221,688 (was, \$1,849,000); and (6) increases appropriation to DCD Administrative Expenses to \$6,403,354 (was, \$6,028,354).

GENERAL PROVISIONS

SECTION 10.55(b). No change – adopts identical House and Senate provisions.

SECTION 10.55(c). No change – adopts identical House and Senate provisions.

SECTION 10.55(d). No change – adopts identical House and Senate provisions.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES BLOCK GRANT (TANF)

SECTION 10.55(e-o). No change – adopts identical House and Senate provisions.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.55(p-u). No change – adopts identical House and Senate provisions.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

SECTION 10.55(v). No change – adopts identical House and Senate provisions.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.55(w-y). No change – adopts identical House and Senate provisions.

MENTAL HEALTH BLOCK GRANT

SECTION 10.55(z-aa). No change – adopts identical House and Senate provisions.

MATERNAL AND CHILD HEALTH BLOCK GRANT

SECTION 10.55(bb)-(cc). No change – adopts identical House and Senate provisions.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

SECTION 10.55.(dd). Adopts new provision to require that of the funds appropriated for risk reduction projects, \$250,000, must be used to fund a pilot to do basic education resource and referral for individuals with HIV/AIDS and substance abuse disorder. If substance abuse prevention and treatment carry-forward funds are available, DHHS must budget the first \$250,000 of these funds to adult substance abusers.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

SALE OF TIMBER

SECTION 11.1. No change-adopts identical House and Senate provisions.

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 11.2. Deleted.

STUDY STRUCTURE AND MANAGEMENT PRACTICES OF AGRICULTURAL
RESEARCH STATIONS AND RESEARCH FARMS.

SECTION 11. 4. Adopts a new provision requiring the General Assembly's Performance Evaluation Division to study the structure and management practices of the 18 agricultural research stations and farms owned by either NC State University or the Department of Agriculture and Consumer Services (DACS) and currently managed by DACS and consider ways to achieve efficiency savings and whether to consolidate or transfer these stations and farms to another department. Requires the Division to report to various legislative committees and divisions by May 1, 2008.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND
STORAGE TANK PROGRAM ADMINISTRATIVE COSTS

SECTION 12.1. No change-adopts identical House and Senate provisions.

BERNARD ALLEN MEMORIAL EMERGENCY DRINKING WATER FUND

SECTION 12.2. Adopts identical House and Senate provisions, except provides that an alternative drinking water supply includes the repair or replacement of a contaminated well or the connection to a public water supply. Also prohibits the funds from being used to provide alternative water supply to household with incomes greater than 300% (was, 200%) of the current federal poverty level.

FUNDS FOR PENDING CIVIL LITIGATION EXPENSES

SECTION 12.2A. Adopts a new provision requiring the Department of Environment and Natural Resources (DENR) to transfer \$1 million of the funds available in the Water and Air Quality Account for 2007-08 to the Office of State Budget and Management's Litigation Reserve to be used by the Department of Justice for expenses related to litigation and expert witnesses in North Carolina *ex rel*/ Cooper v. Tennessee Valley Authority or South Carolina v. North Carolina. Unused funds as of June 30, 2008, revert to the Water and Air Quality Account.

NEW LEASE PURCHASE/INSTALLMENT CONTRACTS FOR FORESTRY EQUIPMENT

SECTION 12.4. No change-adopts identical House and Senate provisions.

GRASSROOTS SCIENCE PROGRAM

SECTION 12.5. Adopts Senate provision, except increases the amount allocated from the Grassroots Science Program as grants-in-aid for 2007-08 from \$3,381,340 to \$3,906,340 and for 2008-09 from \$3,381,340 to \$3,481,340. Increases the amounts allocated to the Eastern NC Regional Science Center and the Natural Science Center of Greensboro for 2007-08 and adds allocations to the Pisgah Astronomical Research Institute and Sylvan Heights Waterfowl Park and Eco Center.

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 12.5A. Adopts a new provision requiring \$349,000 of the funds appropriated to DENR for 2007-08 and for 2008-09 to be allocated to the Wildlife Resources Commission to provide the state share to support the beaver damage control program, if at least \$25,000 in federal funds is available each fiscal year. (A similar provision allocating funds appropriated to the Department of Transportation can be found in Section 27.13).

RETAIN EARNINGS OF PARKS AND RECREATION TRUST FUND

SECTION 12.8. No change-adopts identical House and Senate provisions.

STUDY ADVISABILITY OF ADDING DEEP RIVER STATE TRAIL TO STATE PARKS
SYSTEM

SECTION 12.9. Adopts new provision requiring DENR, Division of Parks and Recreation, to study whether to advise the General Assembly to authorize the addition of the Deep River State Trail to the State Parks System and report to the Joint Legislative Commission on Governmental Operations by March 1, 2008.

PART XIII. DEPARTMENT OF COMMERCE
ONE NORTH CAROLINA FUND

SECTION 13.1. Adopts identical House and Senate provisions, except also requires \$650,000 of the funds appropriated to the One North Carolina Fund for 2007-08 to be transferred to DENR, Division of Information Services, for the development of a Tier II hazardous chemicals inventory database and web-based access application. Also provides that if any One North Carolina funds that have been previously disbursed are recovered by the Department of Commerce (DOC) during 2007-08, then DOC may use up to \$1 million of those recovered funds to supplement DOC's budget for statewide economic development marketing and business assistance.

TEMPORARY EXPANSION OF JDIG CAP

SECTION 13.1A. Adopts a new provision providing that the maximum amount of total annual liability for grants for agreements entered into in 2007 under the Job Development Investment Grant Program may not exceed \$25 million.

NC GREEN BUSINESS FUND

SECTION 13.2. Adopts Senate provision (8th edition).

EXECUTIVE AIRCRAFT/USES

SECTION 13.3. No change-adopts identical House and Senate provisions.

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.3A. Adopts Senate provision (8th edition).

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.4. No change-adopts identical House and Senate provisions.

INDUSTRIAL COMMISSION STRATEGIC PLAN/REPORT

SECTION 13.4A. Adopts Senate provision (8th edition), except modifies GS 97-78 to change the date by which the North Carolina Industrial Commission must prepare and implement a strategic plan from September 1, 2007, to April 1, 2008. Also modifies GS 97-78 to change the dates by which the commission's annual report is to be published for free distribution and by which the commission must submit its annual report from March 1 to October 1 of each year.

NORTH CAROLINA CENTER FOR AUTOMOTIVE RESEARCH/FUNDS SHALL NOT REVERT

SECTION 13.5. Adopts House provision (5th edition).

COUNCIL OF GOVERNMENT FUNDS

SECTION 13.6. Adopts House provision (5th edition)

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 13.7. Adopts Senate provision (8th edition), except removes the provision allowing each regional economic development commission to use up to 50% of the funds allocated for administrative purposes and requiring the remaining 50% of the funds to be used only for specified types of expenditures. Prohibits the use of more than \$120,000 in state funds for the annual salary of any one regional economic development commission employee. Adds a finding by the General Assembly and encourages regional economic development commissions to seek supplemental funding from their county and municipal partners to continue and enhance their efforts and to attract and retain business. Requires the General Assembly's Performance Evaluation Division to study the structure and funding of the seven regional economic development commissions and make recommendations concerning the commission's funding and report to various legislative committees and the divisions by May 1, 2008. Requires the appropriations committees chairs to take the study results into consideration when developing the 2008-09 budget.

KERR-TAR REGIONAL ECONOMIC DEVELOPMENT CORPORATION/REPORTING REQUIREMENTS

SECTION 13.9. Adopts House provision (5th edition).

BIOTECHNOLOGY CENTER

SECTION 13.10. No change-adopts identical House and Senate provisions.

NONPROFIT REPORTING REQUIREMENTS

SECTION 13.11. No change-adopts identical House and Senate provisions.

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 13.12. Adopts Senate provision (8th edition), except increases the amount allocated from the Rural Economic Development Center, Inc., for 2007-08 from \$1,913,112 to \$2,025,697, and for 2008-09 from \$1,913,112 to \$2,025,697 and makes a corresponding

increase in the amounts allocated for the administration of the Clean Water/Natural Gas Critical Needs Bond Act of 1998.

RURAL ECONOMIC DEVELOPMENT CENTER/INFRASTRUCTURE PROGRAM

SECTION 13.13. Adopts Senate provision (8th edition).

FUNDS FOR LOCAL GOVERNMENT WATER AND SEWER IMPROVEMENT GRANTS

SECTION 13.13A. Adopts new provision requiring \$100 million of the funds appropriated to the Rural Economic Development Center, Inc. (Rural Center) for 2007-08 to be allocated to provide grants to eligible local governments for wastewater and public water system related projects. Enumerates the types of projects that are eligible for grants and allows the funds to be used for planning grants or supplemental grants. Establishes the purposes for which a planning grant may be used, establishes the eligibility requirements that must be met by a local government, sets the maximum for planning grants at \$40,000 per local government, and requires matching funds. Establishes the purposes for which a supplemental grant may be awarded, establishes the eligibility requirements that must be met by a local government, sets the maximum for supplemental grants at \$500,000, and requires matching funds. Sets procedures for the grant application process, the review of applications, and awarding of a grant. Requires applications for grants to include an environmental assessment or a statement identifying the exclusion under which the assessment is not required. Provides for grant disbursement. Provides that an award for a grant for a project is withdrawn if the applicant fails to enter into a construction contract for the project within one year after the date of the award for supplemental grants unless the Rural Center's Board of Directors finds good cause for the failure. Allows the Rural Center to inspect a project to determine progress and provides for when an individual is not authorized to perform the inspection. Allows the Rural Center to use up to 2% of the allocated funds for administration, \$250,000 of which may be used to fund the work of the State Water Infrastructure Commission in 2007-08. Requires the Rural Center to report quarterly beginning on December 1, 2007, to the Joint Legislative Commission on Governmental Operations. Prohibits the Rural Center from using the allocated funds to make loans.

RURAL ECONOMIC DEVELOPMENT CENTER FUNDS

SECTION 13.14. Adopts identical House and Senate provisions, except removes the redundant July 1, 2007, effective date.

STUDY EQUINE INDUSTRY IN NORTH CAROLINA

SECTION 13.14A. Adopts Senate provision (8th edition).

OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS

SECTION 13.15. No change-adopts identical House and Senate provisions.

E-NC AUTHORITY CONTRACTS/ REPORTING REQUIREMENTS

SECTION 13.16. No change-adopts identical House and Senate provisions.

E-NC AUTHORITY/STAGGER COMMISSION MEMBERS TERMS

SECTION 13.16A. Adds new provision amending GS 143B-437.46(d) to provide that the terms of members on the E-NC Authority Commission begin on January 1, 2008 (was, 2004). Requires the appointing officer to designate one appointee to serve a one-year term, one to serve a two-year term, and one to serve a three-year term. Upon the expiration of each term, each appointing officer must appoint a member for a term of three years. Effective for appointments beginning on or after January 1, 2008.

WOW E-COMMUNITY DEVELOPMENT CORPORATION PILOT PROGRAM FUNDS

SECTION 13.17. Adopts House provision (5th edition).

NER BLOCK GRANTS

SECTION 13.18. Adopts identical House and Senate provisions, except amends GS 143B-437.01(a) to add to the guidelines that must be adopted by the DOC for awarding Community Block Grants ensuring that no local match is required for grants for projects located in counties that have a population of less than 50,000 and more than 19% of the population below the federal poverty level. Makes a conforming change to the priorities for awarding grants. Amends GS 143B-437.01(a)(3) to also provide that there must be a rule that there is no local match requirement for funds from the Industrial Development Fund for projects located in these counties.

PART XIV. JUDICIAL DEPARTMENT

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 14.1. No change – adopts identical House and Senate provisions.

GRANT FUNDS

SECTION 14.2. No change – adopts identical House and Senate provisions.

NORTH CAROLINA STATE BAR FUNDS

SECTION 14.3. No change – adopts identical House and Senate provisions.

OFFICE OF INDIGENT DEFENSE SERVICES EXPANSION FUNDS/ESTABLISHMENT OF ADDITIONAL PUBLIC DEFENDER OFFICES

SECTION 14.4. Adopts Senate provision (8th edition).

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 14.5. Adopts Senate provision (8th edition).

INDIGENT DEFENSE SERVICES/STATE MATCH FOR GRANTS

SECTION 14.6. No change – adopts identical House and Senate provisions.

REPORT ON BUSINESS COURTS

SECTION 14.7. No change – adopts identical House and Senate provisions.

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 14.8. No change – adopts identical House and Senate provisions.

DISPUTE RESOLUTION FEES

SECTION 14.9. No change – adopts identical House and Senate provisions.

REIMBURSEMENT FOR USE OF PERSONAL VEHICLES

SECTION 14.10. No change – adopts identical House and Senate provisions.

DRUG TREATMENT FUNDS NEED NOT BE GRANTED

SECTION 14.12. No change – adopts identical House and Senate provisions.

ADDITIONAL DISTRICT COURT JUDGES

SECTION 14.13. Adopts new provision amending G.S. 7A-133(a) increasing the number of district court judges. Effective January 1, 2008, except in counties subject to section 5 of the Voting Rights Act of 1965, increases the number of district court judges (1) from 16 to 17 in Wake County and (2) from 9 to 10 in Harnett, Cumberland, and Forsyth Counties; (3) from 13 to 14 in Guilford County; and (4) from 18 to 19 in Mecklenburg County. Effective January 15, 2009, increases the number of district court judges (1) from 8 to 9 in New Hanover County; (2) from 17 to 18 in Wake County; and (3) from 19 to 20 in Mecklenburg County. Provides for appointment and election of additional judges.

ADDITIONAL ASSISTANT DISTRICT ATTORNEYS

SECTION 14.14. Adopts new provision amending G.S. 7A-60 requiring regular reporting to the General Assembly by the Administrative Office of the Courts (AOC) on recommendations regarding the allocation of assistant district attorneys. Providing that notwithstanding this reporting requirement, for the 2007-08 fiscal year, the AOC must allocate the 30 additional assistant district attorneys authorized by the act based upon the caseload and criteria developed by the AOC, and requires reporting.

STUDY AVAILABILITY OF PROSECUTORIAL RESOURCES TO DISTRICT ATTORNEYS AND THE MANAGEMENT AND USE OF THOSE RESOURCES BY DISTRICT ATTORNEYS

SECTION 14.15. Adopts House provision (5th edition).

STATE FUNDS NOT TO BE USED FOR TELEPHONE SERVICE

SECTION 14.16. Adopts Senate provision (8th edition), except specifies that the telephones that must be provided must meet AOC specifications.

OFFICE OF INDIGENT DEFENSE SERVICES/ELECTRONIC FEE SUBMISSION

SECTION 14.17. Adopts Senate provision (8th edition), except adds a provision allowing the AOC to conduct a pilot project to evaluate a system for the electronic filing, case processing, and case management of civil cases and special proceedings. Also amends G.S. 7A-49.5(c) deleting the requirement that the costs of hardware and software associated with a contract for electronic filing not be paid for with State funds.

REPORT ON COURT SYSTEM PERFORMANCE MEASURES

SECTION 14.18. Adopts Senate provision (8th edition).

THE OFFICE OF INDIGENT DEFENSE SERVICES MAY COMPENSATE ATTORNEYS FOR CERTAIN FILINGS

SECTION 14.19. Adopts Senate provision (8th edition).

ALLOW JURORS TO WAIVE PAYMENT OF PER DIEM FEES AND ALLOW THOSE FUNDS TO BE USED TO PROVIDE HUMAN SERVICES WITHIN THAT DISTRICT

SECTION 14.20. Deletes this section.

AUTHORIZE MILEAGE REIMBURSEMENT FOR APPELLATE JUDGES WHO RESIDE FIFTY MILES OR MORE FROM RALEIGH

SECTION 14.21. Adopts compromise provision enacting G.S. 7A-10(b1) and G.S. 7A-18(a1) providing a mileage reimbursement for appellate judges and justices whose permanent residence is at least 50 miles from Raleigh and changing the formula for calculating the reimbursement that was set out in the Senate provision.

APPORTIONING OF COURT SYSTEM PERSONNEL THROUGH A WORKLOAD FORMULA

SECTION 14.22. Deletes this section.

EXPAND COURT-FUNDED INTERPRETER AUTHORITY

SECTION 14.23. Adopts Senate provision (8th edition), except specifies that a court may authorize the use of a court interpreter, paid with AOC funds, to facilitate disposition of criminal or GS Chapter 50B cases.

ADD TWO SPECIAL SUPERIOR COURT JUDGES

SECTION 14.24. Adopts Senate provision (8th edition), except allows for the appointment of two rather than three special superior court judges.

DIVIDE SUPERIOR COURT, DISTRICT COURT, AND PROSECUTORIAL DISTRICTS 22 INTO DISTRICTS 22A and 22B

SECTION 14.25. Adopts compromise provision, amending G.S. 7A-41(a) (superior court divisions and districts; judges), 7A-133(a) (numbers of judges by districts; number of magistrates and additional seats of court, by counties), 7A-60(a1) (district attorneys and prosecutorial districts) as title indicates. Superior Court District 22A is to consist of Alexander and Iredell Counties and to have two resident superior court judges, five district court judges, and eleven assistant district attorneys. Superior Court District 22B is to consist of Davidson and Davie Counties and to have two resident superior court judges, six district court judges, and eleven assistant district attorneys. Provides for filling of new positions. Makes conforming changes to G.S. 7A-69 (investigatorial assistants). Effective January 1, 2009, but applying to the 2008 election as specified.

PART XV. DEPARTMENT OF JUSTICE

STATEWIDE AUTOMATED FINGERPRINT SYSTEM REPLACEMENT (SAFIS) REPORTS

SECTION 15.1. No change – adopts identical House and Senate provisions.

PRIVATE PROTECTIVE SERVICES AND ALARM SYSTEMS LICENSING BOARDS PAY FOR USE OF STATE FACILITIES AND SERVICES

SECTION 15.2. No change – adopts identical House and Senate provisions.

USE OF SEIZED AND FORFEITED PROPERTY TRANSFERRED TO STATE LAW ENFORCEMENT AGENCIES BY THE FEDERAL GOVERNMENT

SECTION 15.3. No change – adopts identical House and Senate provisions.

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 15.4. No change – adopts identical House and Senate provisions.

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 15.5. No change – adopts identical House and Senate provisions.

NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED

SECTION 15.6. No change – adopts identical House and Senate provisions.

HIRING OF SWORN STAFF POSITIONS FOR THE STATE BUREAU OF INVESTIGATION

SECTION 15.7. Adopts Senate provision (8th edition).

ACTIONS TO REDUCE MEDICAID FRAUD

SECTION 15.8. Adopts compromise provision deleting this section.

PART XVI. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

ANNUAL EVALUATION OF TARHEEL CHALLENGE PROGRAM

SECTION 16.1. No change – adopts identical House and Senate provisions.

NEW ALE NON-SWORN JOB CLASSIFICATION

SECTION 16.2. No change – adopts identical House and Senate provisions.

ALTERNATIVE FUNDING SOURCE STUDY FOR LAW ENFORCEMENT SUPPORT SERVICES AND THE GEOSPATIAL AND TECHNOLOGY MANAGEMENT PROGRAM

SECTION 16.3. Adopts compromise provision same as Senate provision (8th edition), except requires the Department of Crime Control and Public Safety to study alternative funding sources for the operating costs of the Law Enforcement Support Services Program and requires reporting.

USE OF GANG PREVENTION FUNDS

SECTION 16.5. Adopts compromise provision same as Senate provision (8th edition), except increases from \$3,000,000 to \$4,760,195 the funds for grants for street gang violence programs.

REPORTS ON THE EXPANSION OF THE ALCOHOL LAW ENFORCEMENT DIVISION'S AUTOMATED SYSTEMS

SECTION 16.6. Adopts Senate provision (8th edition), except adds items to reporting requirements.

STUDY CONSOLIDATION OF GIS MAPPING PROGRAMS

SECTION 16.7. Deleted.

STUDY GANG ACTIVITY

SECTION 16.8. Adopts Senate provision (8th edition), except expands scope of the study.

PART XVII. DEPARTMENT OF CORRECTION

MUTUAL AGREEMENT PAROLE PROGRAM

SECTION 17.1. No change – adopts identical House and Senate provisions.

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 17.2. No change – adopts identical House and Senate provisions.

ALCOHOL AND CHEMICAL DEPENDENCY PROGRAM REPORT

SECTION 17.3. Adopts Senate provision (8th edition).

INMATE CONSTRUCTION PROGRAM

SECTION 17.4. No change – adopts identical House and Senate provisions.

FEDERAL GRANT REPORTING

SECTION 17.5. No change – adopts identical House and Senate provisions.

REIMBURSE COUNTIES FOR HOUSING AND EXTRAORDINARY MEDICAL COSTS FOR INMATES, PAROLEES, AND POST-RELEASE SUPERVISEES AWAITING TRANSFER TO STATE PRISON SYSTEM

SECTION 17.6. No change – adopts identical House and Senate provisions.

USE OF CLOSED PRISON FACILITIES

SECTION 17.7. No change – adopts identical House and Senate provisions.

LIMIT USE OF OPERATIONAL FUNDS

SECTION 17.8. No change – adopts identical House and Senate provisions.

ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT

SECTION 17.9. No change – adopts identical House and Senate provisions.

INMATE MEDICAL COSTS

SECTION 17.10. Adopts Senate provision (8th edition).

PAROLE ELIGIBILITY REPORT

SECTION 17.11. No change – adopts identical House and Senate provisions.

FEDERAL GRANT MATCHING FUNDS

SECTION 17.12. No change – adopts identical House and Senate provisions.

REPORTS ON NONPROFIT PROGRAMS

SECTION 17.13. No change – adopts identical House and Senate provisions.

REPORT ON ELECTRONIC MONITORING PROGRAM/USE OF GLOBAL POSITIONING SYSTEMS FOR SEX OFFENDERS

SECTION 17.14. No change – adopts identical House and Senate provisions.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 17.15. Adopts Senate provision (8th edition).

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 17.16. No change – adopts identical House and Senate provisions.

COMMUNITY SERVICE WORK PROGRAM

SECTION 17.17. No change – adopts identical House and Senate provisions.

PART XVIII. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
SUPPORT OUR STUDENTS ADMINISTRATIVE COST LIMITS

SECTION 18.1. No change – adopts identical House and Senate provisions.

JCPC GRANT REPORTING AND CERTIFICATION

SECTION 18.2. Adopts Senate provision (8th edition).

REPORTS ON CERTAIN PROGRAMS

SECTION 18.3. Adopts Senate provision (8th edition).

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 18.4. No change – adopts identical House and Senate provisions.

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 18.5. No change – adopts identical House and Senate provisions.

REPORTING ON TREATMENT STAFFING MODEL AT YOUTH DEVELOPMENT

CENTERS

SECTION 18.6. Adopts Senate provision (8th edition).

PROGRESS REPORTS ON YOUTH DEVELOPMENT CENTER CAPITAL PROJECTS

SECTION 18.7. Adopts Senate provision (8th edition).

STUDY OF STATE DETENTION CENTERS

SECTION 18.8. No change – adopts identical House and Senate provisions.

YOUTH DEVELOPMENT CENTER SCHOLARSHIPS

SECTION 18.9. No change – adopts identical House and Senate provisions.

REPORT ON ECKERD FAMILY FOCUS ON REHABILITATIVE TREATMENT (EFFORT)

PROJECT

SECTION 18.10. Adopts Senate provision (8th edition).

PROGRESS REPORT ON JOINT USE BY THE DEPARTMENT OF CORRECTION AND
THE DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION OF THE
SWANNANOVA VALLEY YOUTH DEVELOPMENT CENTER

SECTION 18.11. Adopts Senate provision (8th edition).

PART XIX. DEPARTMENT OF ADMINISTRATION

REDESIGNATION OF THE GOVERNOR'S ADVOCACY COUNCIL FOR PERSONS WITH
DISABILITIES

SECTION 19.1. Adopts Senate provision (8th edition).

SEXUAL ASSAULT/RAPE CRISIS CENTER FUNDING

SECTION 19.2. No change – adopts identical House and Senate provisions.

STATE ENERGY OFFICE

SECTION 19.3. Completely rewrites Senate provision (8th edition) as follows.

Requires the State Energy Office to develop a strategic plan to establish criteria and guidelines to award and administer future grants, specifies items that must be included in the plan, and sets plan submission and approval dates. Allocates \$5 million for the 2007-08 fiscal year to establish the Energy Efficiency Reserve, to be administered by the State Energy Office. Reserve funds may be used to provide funding for projects designed to make State, university, or community college facilities more energy efficient, specifies eligible projects, and requires reporting. Allocates \$600,000 for the 2007-08 fiscal year to administer the Utility Savings Initiative. Allocates \$1,382,500 for the 2007-08 fiscal year and \$2,690,000 for the 2008-09 fiscal year to the North Carolina A&T State University Center for Energy Research and Technology, the North Carolina State University Solar Center, and the Appalachian State University Energy Center. Requires the Office of State Budget and Management to conduct a staffing analysis of the State Energy Office and requires reporting. Requires the Department of Administration to implement the recommendations of the final report, to use internal staff resources whenever possible to

conduct energy efficiency audits of State buildings, and to report on the status of its implementation of the OSBM Staffing Analysis report.

STATE EMPLOYEE PARKING CHANGES

SECTION 19.4. Deleted.

PART XX. OFFICE OF THE STATE CONTROLLER

OVERPAYMENTS AUDIT

SECTION 20.1. No change – adopts identical House and Senate provisions.

PART XXI. DEPARTMENT OF CULTURAL RESOURCES

GRASSROOTS ARTS PROGRAM FUNDING

SECTION 21.1. No change – adopts identical House and Senate provisions.

AFRICAN-AMERICAN MONUMENT PROJECT

SECTION 21.2. Deleted.

GRANT IN-AID FOR THE JEWISH HERITAGE FOUNDATION

SECTION 21.3. Adopts new provision allocating \$250,000 of the funds appropriated to the Department of Cultural Resources for the 2007-08 fiscal year for a grant-in-aid to the Jewish Heritage Foundation of North Carolina to be used for the production of the film documentary, "Down Home: Jewish Life in North Carolina."

PART XXII. OFFICE OF THE GOVERNOR

HOUSING FINANCE AGENCY SHALL CONTINUE AND EXPAND THE NORTH CAROLINA HOME PROTECTION PILOT PROGRAM AND LOAN FUND

SECTION 22.1. Adopts Senate provision (8th edition).

PART XXIII. OFFICE OF STATE BUDGET AND MANAGEMENT

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 23.1. Adopts Senate provision (8th edition).

LICENSING BOARD REPORTING REQUIREMENT

SECTION 23.2. No change – adopts identical House and Senate provisions.

STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE AGENCIES

SECTION 23.3. No change – adopts identical House and Senate provisions.

MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 23.4. Adopts Senate provision (8th edition), except decreases stated intended appropriation to the State Fire Protection Grant Fund from \$4.33 million to \$4.18 million from the General Fund.

PART XXIV. DEPARTMENT OF REVENUE

WHITE GOODS DISPOSAL TAX PROGRAM

SECTION 24.1. No change – adopts identical House and Senate provisions.

SCRAP TIRE DISPOSAL TAX PROGRAM

SECTION 24.2. No change – adopts identical House and Senate provisions.

EITC REQUIREMENTS

SECTION 24.3. Adopts Senate provision (8th edition), except changes references to earned income tax credit to State and federal earned income tax credits.

TRANSFER REVENUE HEARINGS TO DOA

SECTION 24.4. Adopts Senate provision (8th edition), except provides that instead of transferring the positions to the Office of Administrative Hearings, they are transferred to the Department of Administration.

PART XXV. STATE BOARD OF ELECTIONS

STATE BOARD OF ELECTIONS MOE AND HAVA FUND USE

SECTION 25.1. Adopts Senate provision (8th edition), except changes the State Board of Elections' use of funds in the Maintenance of Effort Reserve and adds a provision repealing Section 1 of S.L. 2007-144.

PART XXVI. DEPARTMENT OF THE STATE TREASURER
FUNDS FOR AUDITING STATE EMPLOYEE SERVICE RECORDS; REPORTING
REQUIREMENTS

SECTION 26.1. Adopts Senate provision (8th edition).

PART XXVII. DEPARTMENT OF TRANSPORTATION
ONE-STOP SHOPS FOR DRIVERS LICENSES AND REGISTRATION PLATES

SECTION 27.1. No change-adopts identical House and Senate provisions.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 27.2. Adopts compromise provision certifying anticipated revenues of the Highway Fund and the Highway Trust Fund as follows:

Highway Fund:

For Fiscal Year 2009-2010	\$1,818.3 million
For Fiscal Year 2010-2011	\$1,830.7 million
For Fiscal Year 2011-2012	\$1,841.2 million
For Fiscal Year 2012-2013	\$1,854.0 million

Highway Trust Fund:

For Fiscal Year 2009-2010	\$1,154.1 million
For Fiscal Year 2010-2011	\$1,170.9 million
For Fiscal Year 2011-2012	\$1,187.5 million
For Fiscal Year 2012-2013	\$1,205.1 million

FUNDS FOR ECONOMIC DEVELOPMENT, SPOT SAFETY, AND TRANSPORTATION
IMPROVEMENT PROGRAM PROJECTS

SECTION 27.3. Adopts House provision (5th edition), except requires any funds allocated to the 14 Highway Divisions for economic development, spot safety, and transportation improvement programs that are not allotted by June 30, 2009, to be reallocated equally among the 14 divisions for use in the 2009-11 biennium.

CONSOLIDATION OF RURAL FUNDING PROGRAMS BY THE DEPARTMENT OF
TRANSPORTATION'S PUBLIC TRANSPORTATION DIVISION

SECTION 27.4. No change-adopts identical House and Senate provisions.

SMALL CONSTRUCTION AND CONTINGENCY FUNDS

SECTION 27.5. No change-adopts identical House and Senate provisions.

FUNDS FOR UNSAFE OR OBSOLETE FIELD FACILITIES

SECTION 27.6. No change-adopts identical House and Senate provisions.

MODIFY GLOBAL TRANSPARK DEBT

SECTION 27.7. No change-adopts identical House and Senate provisions.

DIVISION OF MOTOR VEHICLES REPORT ON REAL ID ACT COMPLIANCE

SECTION 27.8. Deleted.

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 27.9. Adopts Senate provision (8th edition).

DIVISION OF MOTOR VEHICLES LICENSE PLATE RECALL PROGRAM

SECTION 27.11. Adopts identical House and Senate provisions, except increases the amount appropriated from the Highway Fund to the Department of Transportation (DOT) that the Division of Motor Vehicles may spend for 2007-08 to recall vehicle license plates from \$183,199 to \$282,199.

PHASE OUT TRANSFERS FROM THE HIGHWAY FUND AND THE HIGHWAY TRUST
FUND TO THE GENERAL FUND AND OTHER STATE AGENCIES

SECTION 27.12. Adopts House provision (5th edition).

BEAVER DAMAGE CONTROL PROGRAM FUNDS

SECTION 27.13. Adopts Senate provision (8th edition). (A similar provision allocating funds appropriated to the Department of Environment and Natural Resources can be found in Section 12.5A).

DEPARTMENT OF TRANSPORTATION PERFORMANCE-BASED CONTRACTS

SECTION 27.14. Adopts Senate provision (8th edition).

ENSURE PROPERTY AND FUNDS GO TO STATE HIGHWAY FUND

SECTION 27.15. Adopts Senate provision (8th edition).

DIVISION OF MOTOR VEHICLES TO REPORT CLOSINGS OF DRIVERS LICENSE
OFFICES AND REOPEN THE DRIVERS LICENSE OFFICE IN TABOR CITY

SECTION 27.16. Adopts Senate provision (8th edition), except requires the Division of Motor Vehicles to reopen and operate a full-time drivers license office in Tabor City in Columbus County, using funds appropriated to the Division.

INCREASE ADMINISTRATIVE APPROPRIATION FOR THE HIGHWAY TRUST FUND

SECTION 27.17. Adopts new provision amending GS 136-176(b) allowing 3.8% of the revenue in the Highway Trust Fund through fiscal year 2006-07 and 4.2% of the revenue thereafter to be used to administer the fund.

DEPARTMENT OF TRANSPORTATION TO MAINTAIN DIVISION BUDGETS

SECTION 27.18. Adopts new provision prohibiting DOT from reducing any of the 14 Highway Divisions' funding to adjust the administrative budget of DOT to cover the costs of repaving I-40 between Highway 751 and Highway 147. Requires DOT to prepare a budget plan to reduce specified administrative budgets and present the plan to the Office of State Budget and Management for approval. Requires DOT to report its budget plan for administrative reductions to cover the repaving costs to the Joint Legislative Transportation Oversight Committee by October 1, 2007.

VIPER BUILD OUT FUNDS

SECTION 27.19. Adopts new provision to allow the State Highway Patrol to use up to \$10 million of the funds appropriated to the State Highway Patrol for 2007-08 to continue the build out of the Voice Interoperability Plan for Emergency Responders (VIPER) system. Requires the State Highway Patrol to report and expenditure made and planned expenditures for the build out of the system to the Joint Legislative Transportation Oversight Committee and the Joint Corrections, Crime Control, and Juvenile Justice Oversight Committee by March 31, 2008.

PART XXVIII SALARIES AND BENEFITS

GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

SECTION 28.1. Adopts Senate provision (8th edition).

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 28.2. Adopts Senate provision (8th edition).

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.3. Adopts Senate provision (8th edition).

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 28.4. Adopts Senate provision (8th edition).

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 28.5. Adopts Senate provision (8th edition).

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES

SECTION 28.6. Adopts Senate provision (8th edition).

MAGISTRATES' SALARY INCREASES

SECTION 28.7. Adopts Senate provision (8th edition).

GENERAL ASSEMBLY PRINCIPAL CLERKS/SALARY INCREASES

SECTION 28.8. Adopts Senate provision (8th edition).

SERGEANT-AT-ARMS AND READING CLERKS/SALARY INCREASES

SECTION 28.9. Adopts Senate provision (8th edition).

LEGISLATIVE EMPLOYEES/SALARY INCREASES

SECTION 28.10. Adopts Senate provision (8th edition).

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 28.11. Adopts Senate provision (8th edition).

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 28.12. Adopts Senate provision (8th edition).

STATE AGENCY TEACHERS' COMPENSATION

SECTION 28.13. No change – adopts identical House and Senate provisions.

MOST STATE EMPLOYEES/SALARY INCREASES

SECTION 28.14. Adopts Senate provision (8th edition), except modifies Section 28.14(a) to provide that the 4% salary increase for specified State employees is effective July 1, 2007 (previous edition set effective date as on or after that date, unless otherwise provided by the act). Modifies Section 28.14(b) to make 4% salary increase apply to permanent full-time State officials and persons in exempt positions that are recommended by the Governor and set by the General Assembly (previous edition also included persons in exempt positions that are recommended by the Governor and the Advisory Budget Commission).

ALL STATE-SUPPORTED PERSONNEL/SALARY INCREASES

SECTION 28.15. Adopts Senate provision (8th edition).

CERTAIN SALARIES SET BY GENERAL ASSEMBLY

SECTION 28.15A. Adopts Senate provision (8th edition).

TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES COMMISSION SALARIES

SECTION 28.15B. Adopts Senate provision (8th edition).

SALARY ADJUSTMENT FUND

SECTION 28.18. No change – adopts identical House and Senate provisions.

JUDICIAL BRANCH LONGEVITY

SECTION 28.18A. Adopts Senate provision (8th edition), except deletes provisions for longevity pay of 28.8% after 30 years of service.

CAREER BANDING/CONTINUATION

SECTION 28.18B. Adopts Senate provision (8th edition), except makes a technical change.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 28.19. Adopts Senate provision (8th edition), except reduces the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2007-08 fiscal year (1) from 7.96% to 7.83% for Teachers and State Employees; (2) from 12.96% to 12.83% for State Law Enforcement Officers; (3) from 11.66% to 11.46% for University Employees' Optional Retirement System; (4) 11.66% to 11.46% for Community College Optional Retirement Program; (5) from 17.51% to 17.31% for Consolidated Judicial Retirement System; and (6) 4.30% to 4.10% for the Legislative Retirement System. Also reduces the amount in each of these contribution rates from 4.30% to 4.10% for hospital and medical benefits. Reduces the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2007-08 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan's Indemnity Plan (1) from \$3,226 to \$3,195 for Medicare-eligible employees and retirees and (2) from \$4,238 to \$4,183 for non-Medicare-eligible employees and retirees. Reduces the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2007-08 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred Provider Options Program (1) from \$3,091 to \$3,085 for Medicare-eligible employees and retirees and (2) from \$4,061 to \$4,052 for non-Medicare-eligible employees and retirees. Deletes provision setting maximum annual employer contributions for the Teachers' and State Employees' Comprehensive Major Medical Plan's Preferred Provider Options Program and replaces it with a provision setting the maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2008-09 fiscal year to the State Health Plan for Teachers and State Employees (Plan), including optional plans and programs under the Plan at (1) \$3,165 for Medicare-eligible employees and retirees and (2) \$4,157 for non-Medicare-eligible employees and retirees. Makes technical changes.

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

SECTION 28.20. Adopts Senate provision (8th edition), except increases the retirement allowance increases from 2% to 2.2%.

INCREASE THE MONTHLY PENSION FOR MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND

SECTION 28.21. No change – adopts identical House and Senate provisions.

ENHANCE BENEFITS PAYABLE THROUGH THE NATIONAL GUARD PENSION FUND

SECTION 28.21A. No change – adopts identical House and Senate provisions.

INCLUDE PUBLIC DEFENDERS AS MEMBERS OF THE CONSOLIDATED JUDICIAL
RETIREMENT SYSTEM

SECTION 28.21B. Adopts Senate provision (8th edition).

STATE HEALTH PLAN CHANGES EFFECTIVE FOR FISCAL YEAR 2007-08

SECTION 28.22. Adopts Senate provision (8th edition), except amends G.S. 135-39.5B to provide that optional retirement programs under the statute are not subject to benefits and cost-sharing requirements under G.S. 135-40.1(2) and G.S. 135-40.4 through 135-40.9 (was, the programs were not subject to benefits and cost-sharing requirements under G.S. 135-40.5 through 135-40.9). Amends G.S. 135-40.4(a) to provide that the design, adoption, and implementation of the preferred provider optional plans or programs authorized under G.S. 135-39.5B(b) are not subject to the requirements of G.S. Chapter 143. Deletes amendment to G.S. 135-40.5(g) that would have required the Plan's indemnity plan, as opposed to the Plan, to pay allowable charges; deletes changes to prescription copayments, except retains increased copayment (from \$25 to \$30) for each preferred branded prescription; and provides that the copayments apply to the Plan's optional programs. Enacts G.S. 143-40.7B(f) defining the word "Plan" to include all optional programs or plans in effect under the Teachers' and State Employees' Comprehensive Major Medical Plan and its successor Plans. Modifies new G.S. 135-39.5B(d) to provide that the adopted optional program may not limit the number of visits for covered services for specified therapies. Enacts G.S. 135-39.5(28) requiring the Plan's management staff to conduct informational presentations for specified Plan members. Requires a meeting of the Executive Administrator of the Teachers' and State Employees' Comprehensive Major Medical Plan and the Department of Health and Human Services, Division of Medical Assistance to discuss the administration of NC Health Choice in view of the implementation of the State Health Plan for Teachers and State Employees effective July 1, 2008, and requires reporting by the Executive Administrator and DHHS to the Committee on Employee Hospital and Medical Benefits. Requires the Committee on Employee Hospital and Medical Benefits to convene one or more meetings to review current law as it applies to the Teachers' and State Employees' Comprehensive Major Medical Plan and to the State Health Plan for Teachers and State Employees and requires reporting by the Committee. Makes technical changes.

STATE HEALTH PLAN CHANGES EFFECTIVE BEGINNING WITH THE 2008-2009
FISCAL YEAR

SECTION 28.22A. Adopts Senate provision (8th edition), except deletes prior edition's repeal of (1) G.S. 135-40 (regarding North Carolina's plan to undertake making a comprehensive major medical plan available to state employees) and (2) G.S. 135-40.5(g) (benefits not subject to deductible or coinsurance—prescription drugs). Repeals G.S. 135-40.5(e) (benefits not subject to deductible or coinsurance—routine diagnostic examinations). Amends G.S. 135-37 authorizing the Executive Administrator and Board of Trustees of the State Health Plan for Teachers and State Employees to contract with providers of institutional and professional medical care and services to establish preferred provider networks, with restrictions, and requires reporting. Amends G.S. 135-40, specifying that the State Health Plan shall be a comprehensive benefit plan that includes noncontributory coverage and may be an optional PPO or other type optional benefit plan; also specifying that chemical dependency and mental health benefits under G.S. 135-40.7B apply to the Plan and all optional benefit plans offered under an optional PPO or other type of optional benefit plan (the prior edition had specified only that the Plan may be a PPO or other type of benefit plan that includes noncontributory coverage). Deletes the prior edition's amendment to G.S. 135-40.1, which would make that statute's general definitions applicable under the policies, benefits, and limitations on coverage under the optional program offered pursuant to G.S. 135-40.6A. Deletes provision in prior edition enacting new G.S. 135-40.5(g1) (benefits not subject to deductible or coinsurance—prescription drugs). Effective July 1, 2008, and expiring June 30, 2009, amends G.S. 135-40.7 (general limitations and exclusions) to provide that the Plan and optional plans or programs may not limit the number of visits for covered services for specified therapies. Provides that if on July 1, 2008, there are active or retired employees that are enrolled in the Teachers' and State Employees' Comprehensive Major Medical Plan (indemnity plan) on June 30, 2008, and that have not elected one of the optional PPO benefit plans available under the State Health Plan for Teachers and State Employees, then

the Plan shall enroll those employees or retired employees in the Standard PPO Option, or its equivalent, effective July 1, 2008. Makes technical and conforming changes.

STATE HEALTH PLAN WELLNESS PILOT

SECTION 28.22B. Adopts Senate provision (8th edition).

RETIREE HEALTH BENEFIT FUND

SECTION 28.23. No change – adopts identical House and Senate provisions.

PART XXIX. CAPITAL APPROPRIATIONS.

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 29.1. No change – adopts identical House and Senate provisions.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 29.2. Appropriates the following amounts from the General Fund for 2007-08 for capital improvements:

Department of Administration

Deerfield Cottage Renovation	3,556,000
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State Capital Visitors Center / Public Plaza / Underground	
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Parking Facility Planning Funds	627,281
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Department of Cultural Resources

NC Museum of History Chronology Exhibit – Phase I	6,322,900
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Horne Creek Farm – Visitors Center	442,100
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Information Technology Services

Secondary Data Center Equipment	8,000,000
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Department of Correction

North Carolina Correctional Institution for Women – Health Care Facility	
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Planning and Site Development Funds	5,000,000
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Capital Planning Reserve for Prison Additions	3,497,557
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Department of Crime Control and Public Safety

Statewide Department Master Plan – Phase I	280,294
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Camp Butner Land Buffers	117,800
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Department of Justice

Western Justice Academy Firing Range	1,974,103
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Department of Juvenile Justice and Delinquency Prevention

Dillon Youth Development Center –Maintenance Building	375,000
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Five New Youth Development Centers Planning Funds	1,500,000
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Department of Agriculture and Consumer Services

Western Agricultural Center Facilities	5,000,000
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Eastern Agricultural Center Facilities	3,000,000
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Food and Drug Laboratory Chillers	690,865
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Department of Commerce	
NC Ports Improvements	7,500,000
Department of Natural and Environmental Resources	
Green Square Project	25,000,000
Division of Water Quality Modular Office	252,200
NC Zoo Horticulture Storage Facility	450,000
NC Zoo Plains Barns and Paddocks	3,006,000
Division of Forestry Resources Ashe County Headquarters	708,000
Division of Forestry Resources Buncombe County Headquarters	292,000
Water Resources Development Projects	20,000,000
University of North Carolina System	
East Carolina University – School of Dentistry Facilities	25,000,000
Elizabeth City State University	
Education Building Planning Funds	2,000,000
School of Aviation Planning Funds	500,000
North Carolina Agricultural and Technical University – General	
Classroom Planning and Site Development Funds	5,300,000
North Carolina Central University – Nursing Building Planning Funds	2,500,000
North Carolina School of Science and Mathematics – Discovery Center	
Planning Funds	3,337,000
North Carolina State University – Centennial Campus Library	
Planning and Utility Construction Funds	17,000,000
University of North Carolina at Chapel Hill	
School of Dentistry Addition	25,000,000
Biomedical Research Imaging Center Planning Funds	8,000,000
University of North Carolina at Charlotte – Energy Production	
Infrastructure Center Planning and Site Development Funds	19,000,000
University of North Carolina at Greensboro – Education Building	
Planning Funds	2,500,000
Winston-Salem State University – Science and General Office	
Building Planning Funds	3,312,000
Improvements to 4-H Campuses	7,500,000
University of North Carolina Reserve for Land Acquisition	5,000,000

Millennium Campus – Nanoscience and Nanoengineering Building	5,000,000
Western Carolina University – Health and Gerontology Building	2,200,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$230,741,100

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 29.3. Adopts Senate provision (8th edition), except reduces the dredging contingency fund from \$4.037 million to \$3.937 million and allocates \$100,000 for Black River restoration in Pender County.

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 29.4. No change – adopts identical House and Senate provisions.

REPAIRS AND RENOVATIONS RESERVE ALLOCATION

SECTION 29.5. Adopts Senate provision (8th edition), except (1) deletes the allocation of \$534,000 to the Department of Juvenile Justice and Delinquency Prevention for renovations at the Samarkand Youth Development Center for the Eckerd Family Focus on Rehabilitative Treatment, (2) allocates \$3,921,100 for facilities renovation at the Palmer Memorial Institute State Historic Site, and (3) incorporates provisions similar to Section 29.12 of the Senate bill (8th edition), providing for the UNC Board of Governors to use a portion of the funds allocated to UNC for fire sprinklers in residence halls. Sets out the factors to be considered in allocating the funds among constituent institutions. Requires semiannual progress reports to the Joint Legislative Commission on Governmental Operations (Governmental Operations) until all residence halls have sprinklers.

PLANT CONSERVATION PROGRAM FUNDS

SECTION 29.6. Adopts identical House and Senate provisions, except makes technical correction.

STATE FAIRGROUNDS IMPROVEMENT FUNDS

SECTION 29.7. Adopts House provision (5th edition), except makes technical changes.

EASTERN NORTH CAROLINA AGRICULTURAL CENTER FUNDS

SECTION 29.8. Adopts identical House and Senate provisions.

TIME WARNER CABLE LEASE PROCEEDS

SECTION 29.9. Adopts Senate provision (8th edition), except makes technical changes.

TRANSFER OF STATE PROPERTY TO WAYNE COUNTY

SECTION 29.11. Adopts Senate provision (8th edition).

DISPOSITION OF PROCEEDS FROM SALE OF FORMER BUNCOMBE COUNTY

HEADQUARTERS PARCEL

SECTION 29.11A. Adopts new provision to provide that proceeds of the pending sale of the former Buncombe County headquarter parcel will be used for capital costs for a new headquarters facility.

UNC RESERVE FOR FIRE SUPPRESSION

SECTION 29.12. Senate provision (8th edition) moved to Section 29.5.

SPECIAL INDEBTEDNESS PROJECTS

SECTION 29.13. Adopts compromise provision to authorize the state to issue or incur special indebtedness in the following maximum amounts for the listed projects, which include some Senate-only projects, some House-only projects, and some projects that were in both bills. The total amount is approximately \$550,000.

Debt Amount	Project	Maximum before July 1, 2008	Maximum before July 1, 2009
\$34,000,000	Educational Building at Appalachian State University	\$3,000,000	
\$22,587,000	Science and Technology Complex at FSU	\$5,000,000	
\$24,920,000	NC School of the Arts Library	\$1,775,600	\$14,373,600

Debt Amount	Project	Maximum before July 1, 2008	Maximum before July 1, 2009
\$38,000,000	NCSU Companion Animal Hospital	\$28,500,000	
\$34,000,000	NCSU School of Engineering Building Addition	\$8,500,000	\$25,500,000
\$8,687,000	UNC-A Rhoades Hall Renovation		
\$119,608,225	UNC-CH Genomics Science Building	\$31,000,000	\$86,000,000
\$19,000,000	UNC-Pembroke Nursing & Allied Health Building	\$5,000,000	
\$34,525,000	UNC-W Teaching Laboratory	\$2,500,000	\$8,631,250
\$18,708,000	WSSU Student Activities Center	\$2,000,000	\$5,000,000
\$41,605,000	WCU Health & Gerontological Building		\$18,802,500
\$32,500,000	Coastal Studies Institute Completion	\$8,000,000	\$23,000,000
\$53,000,000	UNC-G and NC A&T State University Nanoscience Building		\$25,000,000
\$19,816,500	Scotland Correctional - medium security facility	\$5,000,000	
\$13,191,300	Alexander Correctional - minimum security facility	\$6,595,650	
\$35,000,000	Tryon Palace educational and visitors facility	\$5,000,000	\$25,000,000

LAND FOR TOMORROW AND WATERFRONT ACCESS AND MARINE INDUSTRY FUND

SECTION 29.14. Adopts new provision authorizing the state to issue or incur special indebtedness in the maximum amount of \$120 million, of which \$50 million would be used for expanding the State Park System and Mountains to Sea Trail, \$50 million would be used by the Natural Heritage Trust Fund to acquire land to conserve ecological diversity in NC, and \$20 million would be used to acquire waterfront property or develop facilities to provide, develop, and improve public and commercial waterfront access. Makes conforming changes to GS 113-77.9, and to GS 113-44.15(d). Requires the Director of the Division of Marine Fisheries to establish a program for the use of the Waterfront Access and the Marine Industry Fund indebtedness. Requires a report to the Joint Legislative Committee on Seafood and Aquaculture before expending funds and on a quarterly basis.

PART XXX. FEES

EROSION AND SEDIMENTATION CONTROL PLAN FEE INCREASE

SECTION 30.1. Adopts identical House and Senate provisions, except changes the effective date from July 1, 2007, to August 1, 2007.

MINING PERMIT APPLICATION FEES

SECTION 30.2. Adopts Senate provision (8th edition), except changes the effective date from July 1, 2007, to August 1, 2007.

WATER QUALITY PERMIT FEES

SECTION 30.3. Adopts identical House and Senate provisions, except changes the effective date from July 1, 2007, to August 1, 2007.

CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.4. Adopts identical House and Senate provisions, except changes the effective date from July 1, 2007, to October 1, 2007.

HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 30.5. Adopts identical House and Senate provisions, except changes the effective date from July 1, 2007, to October 1, 2007.

CHANGE CORPORATE ANNUAL REPORT FEES

SECTION 30.6. Adopts identical House and Senate provisions, except changes the effective date of the fee increases from July 1, 2007, to September 1, 2007.

INCREASE PRIMARY FOREST PRODUCTS ASSESSMENT RATES

SECTION 30.7. Deletes Senate provision (8th edition).

INCREASE COURT FEES AND AMEND THE ACCESS TO CIVIL JUSTICE ACT

SECTION 30.8. Adopts identical House and Senate provisions, except changes the effective date of the fee changes from July 1, 2007, to August 1, 2007.

COLLECTION OF OUTSTANDING FINES AND FEES BY THE COURTS

SECTION 30.9. Adopts Senate provision (8th edition), except (1) provides that the Judicial Department may not charge additional costs of collection if it assesses a collection assistance fee or uses a collection agency and (2) changes the effective date from July 1, 2007, to August 1, 2007.

INCREASE AND CLARIFY CERTAIN COURT COSTS

SECTION 30.10. Adopts Senate provision (8th edition), except make the following two changes. Modifies proposed amendments to GS 20-16.5(j) so that it now provides that 50% of the costs collected are credited to the General Fund, 25% of the costs collected are credited to the General Fund to pay for a statewide chemical alcohol testing program, and the remaining 25% is credited to the county to reimburse the county for jail expenses incurred due to enforcement of the impaired driving laws. Retains the July 1, 2008, effective date for the amendments to GS 7A-317 but changes the effective date of the remaining provisions from July 1, 2007, to August 1, 2007.

ESTABLISH PROCESSING FEE FOR LIMITED DRIVING PRIVILEGE

SECTION 30.11. Effective August 1, 2007, adopts new provision enacting new GS 7A-305 to assess a \$100 processing fee on an application or a petition for a limited driving privilege. The proceeds go to the General Fund to support the court system. Makes a conforming change by enacting new GS 20-20.2. Effective December 1, 2007, makes conditional conforming changes to resolve conflicts and duplications with proposed changes in S 758.

PART XXXI. TAX LAW CHANGES

IRC UPDATE

SECTION 31.1. Adopts House provision (5th edition).

MAINTAIN CURRENT SALES TAX RATE

SECTION 31.2. Compromise provision removes the August 1, 2007, sunset on the reduction of the general state sales tax rate from 4.25% to 4%.

EARNED INCOME TAX CREDIT

SECTION 31.4. Adopts House provision (5th edition), except reduces the credit rate from 5% to 3.5%.

REENACT LONG-TERM CARE CREDIT

SECTION 31.5. Adopts House provision (5th edition), except sunsets from the credit on January 1, 2013,

ADOPTION TAX CREDIT

SECTION 31.6. Adopts House provision (5th edition).

PRIVILEGE TAX ON SOFTWARE PUBLISHERS' MACHINERY AND EQUIPMENT

SECTION 31.7. Adopts House provision (5th edition), except changes the effective from July 1, 2007, to sales occurring on or after October 1, 2007.

ENHANCE TAX CREDIT FOR RESEARCH AND DEVELOPMENT EXPENDITURES

SECTION 31.8. Adopts House provision (5th edition).

MODIFY TAX CREDIT FOR CONSTRUCTING RENEWABLE FUEL FACILITIES

SECTION 31.9. Adopts House provision (5th edition), except (1) removes proposed change that would have raised the cap on the credit from 50% to 100% of the tax against which it is claimed, (2) clarifies the operation of a forfeiture under the alternative credit in GS 105-129.16D(b1) when the taxpayer meets the requirements of the credit under 105-129.16D(b) (construction of a single facility) for the same property, and (3) makes conforming changes.

EXPAND SALES AND USE TAX REFUND FOR CERTAIN AIRCRAFT MANUFACTURERS

SECTION 31.10. Adopts House provision (5th edition).

SET INSURANCE REGULATORY FEE

SECTION 31.12. Adopts identical House and Senate provisions.

SET REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 31.13. Adopts identical House and Senate provisions.

AMEND SALES TAX HOLIDAY

SECTION 31.14. Adopts House provision (5th edition), except changes the effective date from July 1, 2007, to October 1, 2007.

CAP THE VARIABLE WHOLESALE COMPONENT OF THE MOTOR FUELS TAX RATE FOR TWO YEARS.

SECTION 31.15. Adopts compromise provision to cap the variable wholesale component of the motor fuel excise tax in GS 105-449.80(a) at 12.4 cents a gallon for the period July 1, 2007, through June 30, 2009.

STATE ASSUME MEDICAID RESPONSIBILITIES

SECTIONS 31.16.1 through SECTION 31.16.4. New provision provides that the state will bear the following percentages of the county's share of Medicaid costs and Medicare Part D clawback payments incurred on or after the indicated dates: 25% beginning October 1, 2007; 50% beginning June or July 1, 2008 (conflicting dates in the bill); and 100% beginning June or July 1, 2009 (conflicting dates in the bill). Conforms GS 108A-54. For the 2007-08 fiscal year only, Section 31.16.2 of the bill changes the average daily membership distribution from the Public School Building Capital Building Fund in GS 115C-546.2 to reduce the amount of each county's distribution by the lesser of 60% of the distribution or 60% of the amount of the county's Medicaid share paid by the state. Requires counties to use other local funds to make up for the reduction in public school funds. Establishes a county hold-harmless payment for 2007-08 to assure that each county's reduction in the distribution is offset and exceeded by the state's payments on behalf of the county by at least \$500,000.

Sales tax changes. Effective October 1, 2008, Section 31.16.3 of the bill reduces the third one-half cent local sales tax in Article 44 of GS Chapter 105 to one-fourth cent and increases the state sales tax in GS 105-164.4(a) by one-fourth cent. Effective October 1, 2009, Section 31.16.4 of the bill repeals the remaining one-fourth cent of the local sales tax in Article 44 and increases the state sales tax by an additional one-fourth cent. Section 31.16.3 makes conforming changes to the hold-harmless distribution in Article 44 (GS 105-521).

When the local tax in Article 44 is reduced, the per capita portion of the distribution is eliminated. When the remaining portion of the local tax in Article 44 is repealed, the distribution formula for the second one-half cent local sales tax (Article 42) in GS 105-501 is changed from a per capita to a point-of-origin method. Section 31.16.4 of the bill also makes technical language changes in GS 105-501.

Sections 31.16.3 and 31.16.4 of the bill amend GS 105-472 and SL 1967-1096 (first one-cent local sales tax) and enact new GS 105-522 and GS 105-523 (Article 44) to provide that (1) cities will be held harmless by the county for the loss attributable to the phase-out of the Article 44 local sales tax and (2) counties will be compensated for the loss attributable to the phase-out of the Article 44 local sales tax by the state paying the county's Medicaid share and its Medicare Part D clawback. If the amount paid by the state for the county's Medicaid share does not exceed the county's sales tax loss by at least \$500,000, then new GS 105-523 provides that the state will pay the difference to the county, adjusted to account for the change from a per capita to a point of origin distribution formula. These payments will come from state sales tax collections that would otherwise go to the General Fund. Makes conforming changes to numerous statutes.

LOCAL OPTION COUNTY TAXES

SECTION 31.17. Adopts a new provision enacting new Article 60 of GS Chapter 105 authorizing county boards of commissioners to levy a land transfer tax of up to 0.4%, subject to approval by the voters of the county. The tax applies to instruments conveying interests in real property located in the county. The tax is subject to the same exemptions and is generally administered in the same manner as the state land transfer tax in Article 8E of GS Chapter 105. A county may not levy the land transfer tax if it also levies the additional sales tax authorized in the same section of the bill. The county may reduce or repeal the tax.

This section also enacts new Article 46 of GS Chapter 105 authorizing counties to levy a 1/4% sales tax subject to approval by the voters. A county may not levy this sales tax if it also levies the land transfer tax authorized in the same section of the bill. The new sales tax is administered in the same way as other local sales taxes except that (1) it does not apply to food and (2) it is not shared with municipalities. Makes conforming and transitional changes to GS 105-164.15A.

ALTERNATIVE FOR ADDRESSING A CORPORATION'S ATTEMPT TO AVOID STATE TAXES THROUGH THE USE OF A REIT

SECTION 31.18. Effective beginning with the 2007 tax year, adopts a new provision to amend GS 105-130.5 and GS 105-130.12 to define a captive REIT, prohibit a captive REIT from taking the dividends paid deduction, and allow a dividends received deduction for dividends received from a captive REIT. Requires the Department of Revenue to report to the Revenue Laws Study Committee by May 1, 2009, on the amount of corporate income tax revenue generated in the 2007 taxable year by the closure of the captive REIT loophole. Requires the Study Committee to determine the revenue neutral corporate income tax rate based on the report, to be included in the Study Committee's report to the 2010 Session of the General Assembly.

ENHANCE 529 PLAN INCOME TAX DEDUCTION

SECTION 31.19. GS 105-134.6(d)(4) permits a NC taxpayer to deduct up to \$2,000 (\$4,000 for married couples filing jointly) for contributions to the Parental Savings Trust Fund of the State Education Assistance Authority, if the taxpayer's adjusted gross income is below certain thresholds; the subsection is due to sunset after the 2010 tax year. Effective beginning with the 2007 tax year, this section adopts a new provision to increase the amount that can be deducted to \$2,500 (or \$5,000), remove the thresholds from 2007 to 2012, and repeal the sunset.

SALES TAX REFUND – RESEARCH SUPPLIES

SECTION 31.20. Adopts new provision to enact new GS 105-164.14 to allow an annual sales tax refund of 50% of the eligible amount of sales tax paid by a taxpayer engaged in analytical services on purchase of property consumed or transformed in the service activities. The eligible amount is the excess of the sales tax paid over the amount paid during 2006-07.

WORK OPPORTUNITY TAX CREDIT

SECTION 31.21. Effective beginning with the 2007 tax year, adopts new provision enacting new GS 105-129.16G allowing those taxpayers eligible for the federal work opportunity tax credit a state credit equal to 6% of the amount of the federal credit.

DATACENTER SALES TAX EXEMPTION

SECTION 31.22. Adopts new provision effective October 1, 2007, adding definitions of *eligible datacenter* and other related terms to GS 105-187.50 and enacting GS 105-187.51C to impose a privilege tax on an eligible datacenter that purchases machinery or equipment to be used at the datacenter. The rate of tax is 1% of the sales price of the equipment or machinery, up to a maximum of \$80 per article. An eligible datacenter is defined in part as a facility that has been determined by the Secretary of Commerce to have been developed with a specified minimum of privately invested funds. If the level of required investment is not timely made or the machinery and equipment is not located and used at the eligible datacenter, the rate of tax is forfeited and the taxpayer is liable for past sales taxes avoided as a result of the provision. The provision expires July 1, 2013.

TAX INCENTIVE FOR RAILROAD INTERMODAL FACILITY

SECTION 31.23. Adopts new provision enacting new Article 3K of GS Chapter 105 to provide a tax credit of 50% for a taxpayer's payments for the construction of an eligible railroad intermodal facility. To be eligible, the facility must cost more than \$30 million to construct. The credit is allowed against the taxpayer's income or franchise tax for the tax year and may not exceed 50% of the tax against which it is claimed. Any excess may be carried forward for 10 years. The new credit is effective January 1, 2007, and continues in effect until the 2038 tax year. Effective January 1, 2007, the new provision also amends GS 105-164.13 and GS 105-164.14 to exempt from sales tax sales of cranes, trucks, and locomotives to owners of railroad intermodal facilities and to allow owners of railroad intermodal facilities a sales tax refund for materials and equipment that become a part of the facility. Makes conforming changes regarding reporting requirements.

FIREFIGHTER/RESCUE SQUAD TAX DEDUCTION

SECTION 31.24. Adopts new provision enacting new GS 105-134.6 to allow eligible unpaid volunteer firefighters and rescue squad workers an income tax deduction of \$250. Effective beginning with the 2007 tax year.

PART XXXII. MISCELLANEOUS PROVISIONS

COMMITTEE REPORT

SECTION 32.2. States that the Joint Conference Committee Report on the Continuation, Expansion, and Capital Budgets dated July 27, 2007, indicates action by the General Assembly on the act, is to be used to construe the act, and is considered a part of the act. Directs that it be printed as a part of the Session Laws.

EFFECTIVE DATE

SECTION 32.6. Provides that the act becomes effective July 1, 2007, except as otherwise provided.

July 31, 2007

SL 2007-323 (H 1473). 2007 APPROPRIATIONS ACT. AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES. Summarized in *Daily Bulletin* 5/8/07, 5/9/07, 5/29/07, 5/30/07, and 7/28/07. Enacted July 31, 2007. Effective July 1, 2007, except as otherwise provided.