

March 14, 2007

**H 708. THE GOVERNOR'S BUDGET 2007.** Filed 3/14/07. *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**

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

<b>State Agency or Division</b>	<b>FY 2007-08 Recommended</b>	<b>FY 2008-09 Recommended</b>
<b>HEALTH AND HUMAN SERVICES</b>		
Central Administration	\$71,872,058	\$67,419,374
Aging	34,907,589	34,909,179
Child Development	305,916,143	305,939,926
Education Services	39,373,863	39,928,830
Public Health	186,706,619	179,716,681
Social Services	216,303,887	222,788,887
Medical Assistance	2,882,941,451	3,167,283,638
Child Health	59,391,155	59,391,155
Services for the Blind	12,413,913	12,536,515
Mental Health/DD/SAS	716,811,415	718,940,878
Facility Services	19,453,150	20,795,503
Vocational Rehabilitation	<u>45,976,163</u>	<u>46,383,551</u>
Total Health & Human Services	4,592,067,406	4,876,034,117
<b>NATURAL AND ECONOMIC RESOURCES</b>		
Agriculture & Consumer Services	67,134,939	61,314,179
Commerce 62,658,713	42,109,110	
Commerce – State Aid to Non-State Entities	52,654,087	52,654,087
Environment and Natural Resources	200,131,656	201,707,134
Clean Water Management Trust Fund	100,000,000	100,000,000
Labor	<u>16,594,758</u>	<u>16,594,951</u>
Total Natural and Economic Resources	499,174,153	474,379,461
<b>JUSTICE AND PUBLIC SAFETY</b>		
Correction 1,217,393,823	1,237,821,977	
Crime Control & Public Safety	47,526,155	43,054,413
Judicial 420,098,593	423,824,541	
Judicial – Indigent Defense	104,747,454	108,569,559
Justice	96,375,618	92,533,849
Juvenile Justice	<u>161,610,825</u>	<u>165,811,556</u>
Total Justice and Public Safety	2,047,752,468	2,071,615,895
<b>GENERAL GOVERNMENT</b>		
Administration	68,508,544	69,010,048
State Auditor	12,903,026	12,916,479
Cultural Resources	70,463,491	71,352,733
Cultural Resources – Roanoke Island	2,020,023	2,020,023
General Assembly	55,729,083	56,931,204
Governor's Office	6,462,319	6,500,587
Insurance	32,003,945	31,958,716

Insurance – Worker's Compensation Fund	4,500,000	4,500,000
Lieutenant Governor	938,104	939,091
Office of Administrative Hearings	3,738,155	3,568,432
Revenue	87,619,246	87,711,626
NC Housing Finance	11,250,945	4,750,945
Secretary of State	10,704,933	10,776,784
State Board of Elections	9,528,421	6,798,147
State Budget and Management (OSBM)	5,930,060	5,936,765
OSBM – Special Appropriations	6,438,446	6,438,446
Office of State Controller	20,817,526	20,835,033
State Treasurer	9,441,130	9,438,190
State Treasurer – Retirement/Benefits	<u>9,165,457</u>	<u>9,165,457</u>
<b>Total General Government</b>	<b>428,162,854</b>	<b>421,548,706</b>

#### EDUCATION

Public Schools	7,603,203,498	7,663,846,464
Community Colleges	915,790,652	912,122,495
University System	2,304,460,041	2,357,978,162
UNC – Hospital	45,673,970	45,673,970
UNC – GA Passthrough	<u>284,576,699</u>	<u>336,283,215</u>
<b>Total Education</b>	<b>11,153,704,861</b>	<b>11,315,904,307</b>

<b>Total Budget</b>	<b>18,720,861,742</b>	<b>19,159,482,486</b>
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#### DEBT SERVICE

General Debt Service	619,793,004	655,299,484
Federal Reimbursement	<u>1,616,380</u>	<u>1,616,380</u>
<b>Total Debt Service</b>	<b>621,409,384</b>	<b>656,915,864</b>

#### RESERVES & ADJUSTMENTS

Contingency and Emergency Reserve	5,000,000	5,000,000
Compensation Increase Reserve	394,520,636	386,490,786
Salary Adjustment Reserve	28,188,000	28,188,000
Retirement System COLA	27,200,000	27,200,000
Retirement System – Payback	45,000,000	0
ITS Enterprise Fee Hold Harmless	1,500,000	1,500,000
Health Plan Reserve	111,247,930	146,563,167
Job Development Investment Grants	12,400,000	12,400,000
Reserve for Internal Control		
Task Force Recommendations	1,000,000	1,000,000
Reserve for ITAS Replacement	10,000,000	10,000,000
Beacon Project Reserve	20,000,000	
IT Initiative	<u>4,140,000</u>	<u>2,840,000</u>
<b>Total Reserves &amp; Adjustments</b>	<b>660,196,566</b>	<b>621,181,953</b>

#### CAPITAL

Capital Improvements	<u>63,883,409</u>	<u>0</u>
<b>Total Capital</b>	<b>63,883,409</b>	<b>0</b>

<b>TOTAL GENERAL FUND BUDGET</b>	<b>\$20,066,351,100</b>	<b>20,437,580,303</b>
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#### GENERAL FUND AVAILABILITY STATEMENT

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

<b>Description</b>	<b>FY 2007-08 Recommended</b>	<b>FY 2008-09 Recommended</b>
Beginning Availability:		
Unappropriated Balance from Prior Fiscal Year	0	118,823,900
Credit Balance FY 2004-05 (Reversions & Over-collections)	950,100,000	0
Credit to Savings Reserve Account	(237,525,000)	0
Credit to Repairs and Renovations Reserve Account	<u>(100,000,000)</u>	<u>0</u>
<b>Beginning Unreserved Credit Balance</b>	<b>612,575,000</b>	<b>0</b>
<b>REVENUES</b>		
Tax:		
Individual Income Tax	10,568,000,000	11,188,200,000
Corporate Income Tax	4,877,000,000	5,093,300,000
Sales and Use	1,194,000,000	1,251,900,000
Other Tax	1,853,600,000	1,937,000,000
Total Tax	18,492,600,000	19,470,400,000
Nontax/Transfers	<u>869,000,000</u>	<u>889,000,000</u>
<b>Total Revenue</b>	<b>19,361,600,000</b>	<b>20,359,400,000</b>
<b>Tax Reductions</b>		
Income Tax Reduction	(28,000,000)	(63,000,000)
Adoption Tax Credit	(3,000,000)	(3,000,000)
Increased Expensing for Small Businesses	(35,800,000)	(27,900,000)
Deductions for Higher Education Tuition	(13,900,000)	(14,400,000)
Deductions for Qualified Expenses for K-12 Teachers	(2,300,000)	(1,300,000)
Health Insurance Premiums for Retired Officers	(2,000,000)	(2,200,000)
Miscellaneous IRC Conformities	<u>(4,700,000)</u>	<u>(3,000,000)</u>
<b>Subtotal Tax Reductions</b>	<b>(89,700,000)</b>	<b>(115,100,000)</b>
<b>Other Tax Changes</b>		
Continue 4.25% State Sales Tax Rate	259,900,000	286,300,000
Continue 8.0% Income Tax Rate	<u>40,800,000</u>	<u>93,700,000</u>
<b>Subtotal Other Tax Changes</b>	<b>300,700,000</b>	<b>380,000,000</b>
<b>Total Availability</b>	<b>20,185,175,000</b>	<b>20,743,123,899</b>
<b>Less: Total General Fund Appropriations</b>	<b>(20,066,351,101)</b>	<b>(20,437,580,303)</b>
<b>Unappropriated Balance Remaining</b>	<b>\$118,823,900</b>	<b>\$305,543,597</b>

SECTION 2.2.(b) Directs \$26 million for 2007-08 and \$16 million for 2008-09 to be transferred from the Department of Agriculture and Consumer Services, Tobacco Trust Fund to the State Controller to be deposited in Intra State Transfers to support General Fund appropriations for 2007-08 and 2008-09.

SECTION 2.2.(c) Directs the State Controller to transfer \$100 million from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2007. Effective June 30, 2007.

### PART III. CURRENT OPERATIONS/HIGHWAY FUND

#### CURRENT OPERATIONS/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, as follows:

<b>Current Operations – Highway Fund</b>	<b>2007-08 Recommended</b>	<b>2008-09 Recommended</b>
DOT – General Administration	\$ 95,787,091	\$ 93,204,187
Highway Division Administration	32,651,442	32,703,136
State Match for Federal Aid-Planning and Research	4,700,000	4,700,000
Construction Program:		
State Secondary System	93,046,035	95,073,949
Division Small Urban Construction	21,000,000	21,000,000
Discretionary Funds	15,000,000	15,000,000
Spot Safety Improvements	9,100,000	9,100,000
Access and Public Services Roads	<u>2,000,000</u>	<u>2,000,000</u>
Total Construction Program	140,146,035	140,173,949
Maintenance Program		
Primary System	155,323,184	155,323,184
Secondary System	243,316,065	243,316,065
System Preservation	100,289,071	88,403,935
Contract Resurfacing	284,525,663	284,525,663
General Maintenance Reserve	<u>151,912,491</u>	<u>148,820,724</u>
Total Maintenance Program	935,366,474	920,389,571
Ferry Operations	29,513,921	29,513,921
State Aid to Municipalities	93,046,035	93,073,949
State Aid to Railroads	25,125,153	25,125,153
State Aid for Public Transportation	73,466,447	73,466,447
Asphalt Plant Cleanup	425,000	425,000
Governor's Highway Safety Program	334,314	335,449
Division of Motor Vehicles	<u>101,700,725</u>	<u>119,510,944</u>
Total Department of Transportation	\$ 1,554,122,759	\$ 1,555,751,739
Appropriations to Other State Agencies:		
Agriculture	4,742,033	4,709,039
Revenue	5,778,561	5,786,604
Public Instruction – Driver Education	33,285,956	33,255,278
CCPS – Highway Patrol	205,685,608	203,516,779
DENR – LUST Trust Fund	4,952,900	4,988,378
DHHS – Chemical Test	<u>622,183</u>	<u>622,183</u>
Total – Other State Agencies	255,067,241	252,878,261
Reserves and Transfers:		
Salary Adjustment	1,650,000	1,650,000
Minority Contractor Development	150,000	150,000
State Fire Protection Grant	150,000	150,000
Stormwater Discharge Permit	500,000	500,000
Reserve for Visitor's Centers	400,000	400,000
Global TransPark	1,600,000	1,600,000

Reserve for Legislative Increase	12,700,000	12,700,000
Reserve for Health Insurance Adjustment	5,200,000	6,900,000
Employer's Contribution-Retiree	1,400,000	1,400,000
Reserve for Administrative Reduction	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Total Reserves and Transfers	21,250,000	22,950,000
<b>Total Highway Fund Appropriation</b>	<b>\$1,830,440,000</b>	<b>\$1,831,580,000</b>

#### HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability is as follows:

Highway Fund Availability Statement	2007-08 Recommended	2008-09 Recommended
Beginning Credit Balance	\$ 30,000,000	0
Estimated Revenue	1,800,440,000	1,831,580,000
Estimated Reversions	<u>0</u>	<u>0</u>
<b>Total Highway Fund Availability</b>	<b>\$ 1,830,440,000</b>	<b>\$ 1,831,580,000</b>

#### 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:

Highway Trust Fund	2007-08 Recommended	2008-09 Recommended
Department of Transportation:		
Maximum Allowance for Administration	\$ 42,722,640	\$ 43,386,880
Construction Allocation:		
Intrastate System	540,326,825	550,107,613
Urban Loop System	218,485,665	222,440,608
Secondary Roads	94,808,677	96,786,225
State Aid to Municipalities	56,692,887	57,719,120
Transfer to the General Fund	<u>172,543,306</u>	<u>172,619,554</u>
<b>TOTAL HIGHWAY TRUST FUND APPROPRIATIONS</b>	<b>\$ 1,125,580,000</b>	<b>\$ 1,143,060,000</b>

#### PART V. BLOCK GRANT PROVISIONS

##### DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriates amounts from federal block grant funds for the fiscal year ending June 30, 2008, as follows:

##### TEMPORARY ASSISTANCE TO NEEDY FAMILIES BLOCK GRANT

###### Local Program Expenditures

Division of Social Services	
1. Work First Family Assistance (Cash Assistance)	\$95,807,234
2. Work First County Block Grants	94,653,315

3.	Child Protective Services – Child Welfare Workers for Local DSS	14,452,391
4.	Work First – Boys and Girls Clubs	1,500,000
5.	Work First – After-School Services for At-Risk Children	2,249,642
6.	Work First – After-School Programs for At-Risk Youth in Middle Schools	500,000
7.	Work First – Work Central	550,000
8.	Adoption Services – Special Children's Adoption Fund	3,000,000
9.	Family Violence Prevention Division of Child Development	2,200,000
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 – NCFAST Implementation	1,800,000
Transfers to other Block Grants		
Division of Child Development		
15.	Transfer to Child Care and Development Fund	81,292,880
Division of Social Services		
16.	Transfer to SSBG for Department of Juvenile Justice and Delinquency Prevention – Support our Students	2,749,642
17.	Transfer to SSBG for Child Protective Services – Child Welfare Training for Counties	2,550,000
18.	Transfer to SSBG for Maternity Homes	838,000
19.	Transfer to SSBG for Teen Pregnancy Prevention Initiatives	2,500,000
20.	Transfer to SSBG for County DSS for Children's Services	4,500,000
21.	Transfer to SSBG for Foster Care Services	<u>1,181,907</u>
TEMPORARY ASSISTANCE TO NEEDY FAMILIES		
BLOCK GRANT TOTAL		\$362,309,239

#### SOCIAL SERVICES BLOCK GRANT

##### Local Program Expenditures

##### Divisions of Social Services and Aging & Adult Services

1.	County departments of social services (Transfer from TANF – \$4,500,000)	\$ 28,868,189
2.	State In-Home Services Fund (DAAS)	2,101,113
3.	State Adult Day Care Fund (DAAS)	2,155,301
4.	Child Protective Services/CPS Investigative Services – Child Medical Evaluation Program (DSS)	238,321
5.	Foster Care Services (DSS) (Transfer from TANF-\$1,181,907)	2,649,662
6.	Foster Care Maintenance Payments	2,636,587
7.	CPS – Child Welfare Training for Counties (Transfer from TANF)	2,550,000
8.	Maternity Homes (Transfer from TANF)	838,000
Division of Aging and Adult Services		
9.	Home and Community Care Block Grant (HCCBG)	1,834,077
10.	Mental Health Services Program	422,003
11.	Developmental Disabilities Services Program	5,000,000
12.	Mental Health Services – Adult Mental Health Services – 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 – OEO	
15. Elderly Supplemental Grant Program	41,302
Division of Public Health	
16. Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
Division of Aging and Adult Services	
17. UNC-CARES Training Contract	247,920
Division of 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	658,674
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. Office of the Secretary	46,819
26. Division of Child Development	15,000
27. Division of Mental Health Developmental Disabilities and Substance Abuse Services	28,860
28. Division of Facility Services	159,218
29. Office of the Secretary – NC Inter-Agency Council for Coordinating Homeless Programs	250,000
30. Office of the Secretary – Housing Coalition	100,000
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 BG for HIV/STD Prevention and Community Planning	<u>145,819</u>
<b>SOCIAL SERVICES BLOCK GRANT TOTAL</b>	<b>\$68,232,489</b>
<b>LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT</b>	
Local Program Expenditures	
Division of Social Services	
1. Low Income Energy Assistance Program (LIEAP)	\$17,315,919
2. Crisis Intervention Program (CIP)	12,904,706
Office of the Secretary – Office of Economic Opportunity	
3. Weatherization Program	5,578,702
4. Heating Air Repair & Replacement Program (HARRP)	2,602,008
Division of Social Services	
5. County DSS Administration	2,215,016
Office of the Secretary – Office of Economic Opportunity	

6.	Local Residential Energy Efficiency Service Providers – Weatherization	262,837
7.	Local Residential Energy Efficiency Service Providers – HARRP	122,591
DHHS Administration		
8.	Division of Social Services	215,000
9.	Division of Mental Health/DD/SAS	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. Commission of Indian Affairs	<u>59,740</u>
LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT TOTAL		\$41,925,942

#### CHILD CARE AND DEVELOPMENT BLOCK GRANT

##### Local Program Expenditures

##### Division of Child Development

1.	Subsidized Child Care Services (CCDF)	\$163,231,913
2.	Subsidized Child Care Services (TANF to CCDF)	81,292,880
3.	Quality and Availability Initiatives	31,463,419

##### Local Administration

##### Division of Child Development

4.	Administrative Expenses (Non-Direct Subsidy Services Support)	1,849,000
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##### DHHS Administration

##### Division of Child Development

5.	DCD Administrative Expenses	<u>6,028,354</u>
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#### CHILD CARE AND DEVELOPMENT BLOCK GRANT TOTAL

\$283,865,566

#### MENTAL HEALTH SERVICE BLOCK GRANT

##### Local Program Expenditures

##### Division of MH/DD/SAS

1.	Mental Health Services – Adult	\$5,654,932
2.	Mental Health Services – Child	3,921,992
3.	Comprehensive Treatment Service Program	1,500,000

##### DHHS Administration

##### Division of MH/DD/SAS

4.	Division of Mental Health	<u>100,000</u>
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#### MENTAL HEALTH SERVICES BLOCK GRANT TOTAL

\$11,176,923

#### SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

##### Local Program Expenditures

##### Division of Mental Health, Developmental Disabilities and Substance Abuse Services

1.	Substance Abuse Services – Adult	\$20,537,390
2.	Substance Abuse Treatment Alternatives for Women	8,069,524
3.	Substance Abuse – HIV and IV Drug	4,816,378
4.	Substance Abuse Prevention – Child	5,835,701



5.	Substance Abuse Services – Child	4,940,500
6.	Substance Abuse Strengthening Families – Prevention	851,156
	Division of Public Health	
7.	Risk Reduction Projects	383,980
8.	Aid to Counties	209,576
9.	Maternal Health	37,779
	DHHS Administration	
10.	Division of Mental Health	<u>500,000</u>
	SUBSTANCE ABUSE PREVENTION AND	
	TREATMENT BLOCK GRANT TOTAL	\$46,181,984

#### MATERNAL AND CHILD HEALTH BLOCK GRANT

##### Local Program Expenditures

###### Division Name

1.	Children's Health Services	\$6,657,275
2.	Maternal Health	3,441,129
3.	Family Planning	4,078,338
4.	Oral Health	34,284
5.	Teen Pregnancy Prevention Initiatives	85,710

##### DHHS Program Expenditures

###### Division Name

6.	Children's Health Services	2,446,112
7.	Maternal Health	106,927
8.	State Center for Health Statistics	33,134
9.	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	<u>600,586</u>
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#### MATERNAL AND CHILD HEALTH BLOCK GRANT TOTAL

\$17,991,398

#### PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT

##### Local Program Expenditures

###### Division of Public Health

1.	NC Statewide Health Promotion	\$1,775,653
2.	Services to Rape Victims	197,112
3.	HIV/STD Prevention and Community Planning (Transfer from SSBG)	145,819

##### DHHS Program Expenditures

###### Division of Public Health

4.	NC Statewide Health Promotion	718,451
5.	Oral Health	70,000

##### DHHS Administration

###### Division of Public Health

6.	Administration	<u>163,806</u>
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#### PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT TOTAL

\$3,070,841

#### COMMUNITY SERVICES BLOCK GRANT

##### Local Program Expenditures

###### Office of Economic Opportunity

1.	Community Action Agencies	\$15,071,666
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2. Limited Purpose Agencies	823,136
DHHS Administration (by division)	
3. Office of Economic Opportunity	<u>823,136</u>
COMMUNITY SERVICES BLOCK GRANT TOTAL	\$16,717,938

SECTION 5.1.(b) Provides that if the US Congress increases or decreases the federal fund availability for any of the Block Grants administered by the Department of Health and Human Services (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 5.1.(c) 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 several legislative commissions.

#### CHILD CARE AND DEVELOPMENT BLOCK GRANT

SECTION 5.1.(d) Requires payment for subsidized child care services provided with federal TANF funds to comply with regulations and policies issued for the subsidized child care program by the Division of Child Development.

SECTION 5.1.(e) Provides that when funds appropriated through the Child Care and Development Fund Block Grant cannot be obligated or spent in that program within the time periods allowed, the Department may move funds to child care subsidies in order to fully use the federal funds.

#### SOCIAL SERVICES BLOCK GRANT

SECTION 5.1.(f) Exempts the Social Services Block Grant funds appropriated to the North Carolina Inter-agency Council for Coordinating Homeless Program and the N. C. 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).

#### NER BLOCK GRANTS

SECTION 5.2. Requires the Department of Commerce to submit a management plan for allocating funds received for the Community Development Block Grant to the OSBM, after approval of which, the OSBM must submit an allocation schedule to the General Assembly for appropriation of funds for the fiscal year ending June 30, 2008.

### 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 the various General Fund, Special Revenue Fund, Enterprise Fund, Internal Service Fund, and Trust and Agency Fund budget codes for the 2007-09 biennium in accordance with specified limitations. 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. 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.

#### INSURANCE AND FIDELITY BONDS

SECTION 6.2. Requires all insurance and official fidelity and surety bonds authorized for departments, institutions, and agencies to be effected and placed by the Department of Insurance, with the placement costs paid by the affected department, institution, or agency with the approval of the Commissioner of Insurance.

#### EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.3. Provides that all funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

#### REDEPLOYMENT OF RESOURCES RESULTING FROM HR/PAYROLL IMPLEMENTATION

SECTION 6.4. Authorizes OSBM to evaluate the BEACON Program's impact on affected agencies and to develop a plan for addressing affected resources. Requires the State Redeployment Plan to be implemented to the extent possible and allows new positions to be created if balanced by the elimination of a current or contracted position. Expires December 31, 2008.

#### REVISE FREQUENCY OF FEE REPORT

SECTION 6.5. Amends GS 143C-9-4 to change the OSBM reporting requirement on fees charged by state departments, bureaus, divisions, boards, commissions, institutions, and agencies from annually to biennially.

#### BUDGET REALIGNMENT

SECTION 6.6. Authorizes OSBM to adjust the enacted budget by making transfers among purposes or programs to correctly align authorized positions and associated operating costs with the appropriate purposes or programs as defined in GS 143C-1-1(d)(23). Requires OSBM to report the proposed adjustment to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division before making the change. Also prohibits total General Fund expenditures for a department from exceeding the amount appropriated to that department from the General Fund.

#### EDUCATION LOTTERY

SECTION 6.7. Makes the following changes, effective June 30, 2007: Transfers the revenue used to support appropriations made in the act from the State Lottery Fund in the amount of \$438 million for 2007-08. Makes the following appropriations from the Education Lottery Fund for 2007-08:

Class Size Reduction	\$ 127,867,291
Prekindergarten Program	144,572,109
Public School Building Capital Fund	132,448,480
Scholarships for Needy Students	<u>33,112,120</u>
Total Appropriation	\$ 438,000,000

Amends GS 18C-162(a) to require the allocation of the percent of the total annual revenue of North Carolina State Lottery Fund that the North Carolina State Lottery Commission determines is necessary to maximize total revenues for education and satisfy the annual appropriates requirements set by the General Assembly. Current law requires 35% of the total annual revenue to be transferred. Authorizes any unexpended funds in budget code 13510 to be used to support the 2006-07 appropriation for Class Size Reduction established in SL 2006-66 section 6.15.(b).

## PART VII. PUBLIC SCHOOLS

### TEACHER SALARY SCHEDULES

SECTION 7.1 Adopts salary schedule for teachers 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. Provides for annual lump sum longevity payments for teachers at the following rates based on percentage of base salary: 1.5% for 10-14 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: \$126.00 monthly to certified public school teachers at the six-year degree level and \$253.00 monthly to those at the doctoral degree level. 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 \$126.00 per month at the six-year degree level and \$253.00 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 or 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. Makes 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 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 \$126.00 per month for six-year degree level and \$253.00 per month for doctoral degree. Provides an annual salary increase for all permanent full-time personnel paid from the Central Office Allotment of 2.5% 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 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 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 the average increase of the 27-30 year steps for permanent certified personnel (1) employed on July 1, 2007; (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 on July 1, 2007, and (2) paid at the top of the principal and assistant principal salary schedule. Directs that the one-time bonus be adjusted pro rata for permanent part time personnel. 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 funds may be used. Encourages local boards of education (LB) 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 LB 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 allocation formula for funds based on the difference between state average current expenses per student and current expenses per student that county could provide given 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 and provides that the SBE withhold funds from counties that it determines has used funds to supplant current expenses and make a report to the JLEOC prior to 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 and if funds are not adequate to fully fund the formula, funds will be distributed on a pro rata basis.

#### **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) if the unit is located in county with a county-adjusted property tax base per student that is below the state-adjusted property tax base per student and 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 five years after the unit becomes ineligible. Encourages LBs to use at least 20% of the funds to improve the academic performance of students scoring less than a Level III on the end-of-grade (EOG) and grades 4 and 7 writing tests. Requires LBs to report to SBE about use of funds for this purpose and SBE to report to JLEOC. Directs that counties may not use the funds to supplant local current expense funds and provides that the SBE withhold funds from counties that it determines has used funds to supplant current expenses and make a report to the JLEOC by May 1, 2008, identifying those counties.

#### **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 LEA receiving DSSF to purchase the Education Value Added Assessment System for use in analysis of student performance and identifying strategies for improving student achievement. Beginning with 2007-08 fiscal year, provides 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 2005-06.

#### **STUDENTS WITH LIMITED ENGLISH PROFICIENCY**

SECTION 7.9. Requires that the 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. Requires that DPI assess LEP students every three years to assess proficiency levels.

#### **AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS**

SECTION 7.10. Allows SBE to use \$200,000 of Alternative Schools/At Risk Student allotment to carry out duties under GS 115C-12(24) requiring SBE to develop standards for alternative learning programs (ALPs), provide technical assistance to implement ALPs, and to evaluate ALPs.

#### **CHILDREN WITH DISABILITIES**

SECTION 7.11. Requires that the SBE allocate \$3,157.55 per child for a maximum of 172,317 children for the 2008-08 school year. Directs that each LEA receive funds for children with disabilities that are the lesser of (1) all students who are identified as children with disabilities, or (2) 12.5% of the ADM for the LEA.

#### **FUNDS FOR ACADEMICALLY GIFTED CHILDREN**

SECTION 7.12. Requires that SBE allocate funds for academically or intellectually gifted children (AG) 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 the number of children at 58,470 for whom the SBE may allocate AG funds.

#### **EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY**

SECTION 7.13. Designates that funds allocated to LEAs for the 2007-08 and 2008-09 fiscal years for Student Accountability Standards (SAS) be used to assist students in grades 3-8 to perform at or above grade level on EOG tests and to improve the performance of other students. Provides that funds will not revert and will remain available until August 31 of the subsequent fiscal year. Prohibits the transfer of SAS funds to other allocation categories. Provides priorities for the use of funds for improving student accountability and at-risk/ alternative schools allotments. Specifies that to remain eligible for funds, LEAs must submit a report to the SBE on their use by October 31 annually. Requires the SBE to report to the JLEOC and other state agencies.

#### LITIGATION RESERVE FUNDS

SECTION 7.14 Authorizes the SBE to expend \$500,000 each year for 2007-08 and 2008-09 from unexpended salary funds for litigation expenses.

#### REPLACEMENT SCHOOL BUSES FUNDS

SECTION 7.15. Specifies the conditions that the SBE may impose on allotments to local boards of education for replacement of school buses.

#### DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 7.16. 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 required by NC Public Schools Allotment Policy Manual and establishes standards for reducing allotments for school districts with reduced student enrollment.

#### CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL EVALUATION

SECTION 7.17. Authorizes the SBE to spend up to \$50,000 a year from the State Aid to Local School Administrative Units for fiscal biennium to continue support of a charter school advisory committee and to evaluate charter schools.

#### MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

SECTION 7.18. Allows the SBE to grant flexibility to local school boards (LB) 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 LB 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.

#### FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.19 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 required by the act.

#### CONSOLIDATED ASSISTANCE PROGRAM

SECTION 7.20. Merges all assistance to LEAs and schools provided on behalf of the SBE by DPI into the Consolidated Assistance Program (CAP). Requires the SBE to ensure the merger and submit a report on the newly formed CAP to the JLEOC and other state agencies by October 30, 2007. Directs DPI to develop and maintain a revised organizational structure, with defined functions of the CAP positions, and a budget for the provision of CAP services to LEAs to be submitted to the SBE for approval. Reserves \$2 million in 2007-08 and in 2008-09 to the SBE to provide assistance via CAP to the states low-performing LEAs and schools in meeting adequate yearly progress in each subgroup identified in the No Child Left Behind Act of 2001. Provides that the reserved funds not be released to the SBE until the CAP report is received. Requires the SBE to contract with an independent evaluator to conduct an in-depth analysis of the effectiveness of interventions in the state's low-performing schools.

#### LEARN AND EARN HIGH SCHOOLS

SECTION 7.21. 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 FOR TEACHER WORKING CONDITIONS SURVEY INITIATIVE SHALL NOT REVERT**

SECTION 7.22. Provides that funds appropriated to the SBE for use in collaboration with the Professional Standards Commission for the Teachers Working Conditions Survey Initiative not revert at the end of the 2006-07 fiscal year but remain available until they are expended. Effective June 30, 2007.

#### **NORTH CAROLINA VIRTUAL PUBLIC SCHOOL**

SECTION 7.23. 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. Directs the SBE to develop an allotment formula for funding E-learning effective in 2007-08. 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 REDESIGNED HIGH SCHOOLS**

SECTION 7.24. 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.

#### **NC WISE POSITIONS**

SECTION 7.25. 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 7.26. Provides funds to support the hiring of 200 literacy coaches to be placed in 200 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. NBPTS certified teachers serving as literacy coaches will be exempted from the requirements of GS 115C-296.2(b)(2)d. regarding the amount of time required to be spent in the classroom.

#### **MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS**

SECTION 7.27. 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.

#### **ADMINISTRATIVE FUNDING FOR TEACHING FELLOWS PROGRAM**

SECTION 7.28. The NC Public School Forum (NCPSF) administers the Teaching Fellows Program (TFP). Provides that the NCPSF may use up to \$810,000 for 2007-08 from the balance in the revolving fund established in GS 115C-363.23A(f) for costs of administering the TFP.

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

SECTION 7.29. Converts 100 of the 500 TFP scholarship loans from four-year scholarship loans to two-year scholarship loans for NC juniors who plan to obtain licensure in middle or high school mathematics or science.

#### **NO COST SUMMER SCHOOL OR OTHER REMEDIATION ACTIVITIES**

SECTION 7.30. 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, the 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.

#### TRANSFER FUNDS DESIGNATED FOR INSTITUTE FOR PRINCIPALS IN LOW-PERFORMING SCHOOLS TO THE STATE BOARD OF EDUCATION

SECTION 7.31. Provides for \$250,000 appropriated to the University of North Carolina in the 2006-07 fiscal year for the Principals' Executive Program to be permanently transferred to the SBE effective July 1, 2007, for use in supporting the training of principals in low-performing high schools.

#### LOTTERY RECEIPTS SHALL NOT REVERT

SECTION 7.32. Provides that Education Lottery receipts appropriated to support the Prekindergarten Program and Class Size Reduction do not revert at the end of the 2006-07 fiscal year but remain available until expended. Effective June 30, 2007.

#### PROHIBIT USE OF STATE FUNDS FOR LOBBYING EXPENSES

SECTION 7.33. Directs that state funds appropriated by the act for local school administrative units are not to be used to pay dues to organizations that conduct lobbying or legislative advocacy.

#### LEARN AND EARN ONLINE

SECTION 7.34. 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 the SBE will determine the allocation of the online course offerings across the state.

#### COOPERATIVE INNOVATIVE HIGH SCHOOL PROGRAMS

SECTION 7.35. Cooperative Innovative High School Program initiatives are state approved programs. Amends GS 115C-238.53(b) regarding operations of state approved programs to modify the list of parties that sign the written agreement under which an approved program must operate. Directs that the written agreement be signed by the local superintendent, the local college/university president, the Superintendent of Public Instruction, and the president of the higher education system (was, local board of education, local board of trustees, State Board of Education, and applicable governing board). Provides guidelines for the term of the first signed agreement and governing subsequent agreements. Amends GS 115C-238.53(f) to allow the applicable local governing board to grant a standard of exemptions applicable to the operation of the state approved programs.

#### CONNECTIVITY INITIATIVE

SECTION 7.36. Provides for the appropriation of funds to support enhancing the technology infrastructure for public schools. Requires the SBE to conduct a formal needs assessment and report detailing the implementation plan to the Office of State Budget and Management and the Office of Information Technology Services via the Project Portfolio Management tool. Specifies that the funds appropriated will be placed in a reserve and the criteria for the release of the funds. Provides that DPI, with the approval of the SBE, may hire eight individuals to implement the connectivity initiative. Directs that no more than \$1 million of the appropriation may be used for salary and related personnel costs. Allows the transfer of \$300,000 to the Office of the Governor to establish NCVPS within the Education Cabinet.

#### REORGANIZATION OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.37. Provides that DPI may reorganize in accordance with the plan adopted by the SBE. This section expires June 30, 2008.

#### PART VIII. COMMUNITY COLLEGES

##### SE 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 2006-07. Requires quarterly reports to the Joint Legislative Education Oversight Committee (JLEOC) on the implementation of this 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).

##### SALARIES OF COMMUNITY COLLEGE FACULTY AND PROFESSIONAL STAFF



SECTION 8.3. Provides that funds appropriated for salary increases are to be used to increase faculty and professional staff salaries by an average of 2.5%. Directs the SBCC to adopt rules to ensure that funds are used only to move faculty and professional staff to the respective national averages.

#### REPORT ON THE NCCCS BIONETWORK

SECTION 8.4. Requires an annual report on November 1 to the JLEOC, the Office of State Budget and Management (OSBM), and the Fiscal Research Division on the implementation of the NCCCS BioNetwork.

#### CARRYFORWARD OF SYSTEM OFFICE FUNDS FOR CASWELL BUILDING SPACE RECONFIGURATION

SECTION 8.5. Provides that the CCSO may carry forward up to \$340,000 of the operating funds that were not reverted in fiscal year 2006-07 to reconfigure office space and to acquire furniture and equipment in Raleigh.

#### INSTRUCTIONAL RESOURCE ALLOCATION FORMULA

SECTION 8.6. Directs the SBCC to develop a new funding formula for library books and related instructional resources that reflects the availability of online subscription resources and electronic media.

#### PILOT PROGRAMS TO BE STUDIED FOR NCCCS INCREMENTAL CREDENTIALS

SECTION 8.7. Provides that funds to create incremental credentials must be used first to develop incremental credentials in: Early Childhood Education, Automotive Systems Technology, Computer Information Technology, and Building Construction Technology.

#### ONLINE COURSE INSTRUCTION DELIVERY REQUIRED TO BE COMPATIBLE AMONG ALL NC PUBLIC EDUCATION SYSTEMS

SECTION 8.8. Provides that software purchased for online course instruction by the Department of Public Instruction, the NC Community Colleges, and the University of North Carolina be compatible and able to be integrated with course management and distance learning software adopted by the SBE, the SBCC, and the University of North Carolina. Applicable to the NC Virtual Public School, the NCCCS Virtual Learning Community, and any future online course instruction software. Directs the Office of Information Technology Services to ensure compatibility.

#### JOINT NCCCS/UNC COURSE MANAGEMENT SYSTEM

SECTION 8.9. Provides that funds for the Joint NCCCS/UNC Course Management System be used to consider potential options for a shared course management system, to be implemented July 1, 2008. Requires report on recommendations for shared course management system to the JLEOC, the Office of Information Technology Services, and the OSBM by March 1, 2008.

#### PRIORITY FOR NEW PROGRAM START-UP FUNDS

SECTION 8.10. Directs SBCC to develop rules governing the distribution of new program start-up funds, with funds allocated first to programs fulfilling a high-priority need or programs that are classified as new to the system.

#### REPORT ON NCCCS DISTANCE LEARNING AND ONLINE CAPABILITIES

SECTION 8.11. Requires report by March 1, 2008, to the JLEOC, the Fiscal Research Division, and the OSBM, on efforts regarding distance learning opportunities.

#### FACULTY UPGRADE AND STAFF DEVELOPMENT FUNDS

SECTION 8.12. Provides that these funds may be used to provide employees with training that relates to teaching subject matter content and upgrading instructional and technical skills, that funds may be used for faculty to earn baccalaureate and masters degrees and to participate in industry-specific training, provided supported activities are directly related to their employment.

#### ACHIEVING THE DREAM FUNDS

SECTION 8.13. Directs the CCSO to report by November 1, 2008, to the JLEOC, the Fiscal Research Division, and the OSBM on its expenditures for the Achieving the Dream initiative.

#### CURRICULUM ENROLLMENT FORMULA

SECTION 8.14. Provides that student enrollment in Learn and Earn Online courses does not count as regular budget FTE in the curriculum enrollment formula but must be reported as

self-supporting and that Learn and Earn Online funds will be allotted as a categorical State allotment.

#### **PART IX. UNIVERSITIES**

##### **NORTH CAROLINA SCHOOL OF SCIENCE AND MATHEMATICS ENROLLMENT GROWTH FORMULA**

SECTION 9.1. Directs the Office of State Budget and Management (OSBM) to study and create a formula for enrollment growth at the North Carolina School of Science and Mathematics, with the formula to be used for calculating the enrollment growth funding request to be submitted to the 2008 Session of the General Assembly. Directs that the study be submitted to the Joint Legislative Education Oversight Committee (JLEOC) and the Fiscal Research Division by March 1, 2008.

##### **REPORTING ON UNC FACULTY WORKLOAD**

SECTION 9.2. Directs the Board of Governors of the University of North Carolina (BOG) to study faculty workload using the Delaware Study Method of collecting data. Study to be submitted to the JLEOC, OSBM, and the Fiscal Research Division by March 1, 2008.

##### **MILLENNIUM TEACHER SCHOLARSHIP PROGRAM**

SECTION 9.3. Provides that because Elizabeth City State University now participates in the Teaching Fellows program and thereby no longer meets the criteria established for the Millennium Teacher Scholarship Program, no new Millennium scholarship loans will be awarded to students at Elizabeth City State University after July 1, 2007. All current Millennium Scholars at Elizabeth City State University retain the scholarship loan and Elizabeth City State University forfeits to the Escheat Fund all unused funding for Millennium scholarship loans.

##### **USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS**

SECTION 9.4. Appropriates from the Escheat Fund income to the BOG \$67,638,016 for 2007-08 and 2008-09, to the State Board of Community Colleges \$13,981,202 for 2007-08 and 2008-09, to the Department of Administration, Division of Veteran Affairs \$6,228,633 for 2007-08 and \$6,520,964 for 2008-09 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 \$4 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 the University of North Carolina, Department of Administration, and/or the President of the Community College System regarding their respective scholarship programs, who 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 also 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 two universities without any Teaching Fellows.

##### **BOARD OF GOVERNORS' MEDICAL SCHOLARSHIPS**

SECTION 9.5. Provides that the BOG Medical Scholarship Program must make awards to students admitted after July 1, 2007, as scholarship loan awards. 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. Provides the BOG may adopt standards for awarding scholarship loans and must make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. Loans are to have interest 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, reverts to the General Fund at the end of each fiscal year.

#### **BOARD OF GOVERNORS' DENTAL SCHOLARSHIPS**

SECTION 9.6. Provides that the BOG Dental Scholarship Program must make any awards to students admitted after July 1, 2007, as scholarship loan awards. 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. Provides the BOG may adopt standards for awarding scholarship loans and must make an effort to identify and encourage minority and economically disadvantaged youth to enter the program. Loans are to have interest 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, reverts to the General Fund at the end of each fiscal year.

#### **UNC-NCCCS 2+2 E-LEARNING INITIATIVE**

SECTION 9.7. Requires that the University of North Carolina and the Community Colleges System Office make annual reports commencing on September 1, 2007, to the JLEOC, the OSBM, and the Fiscal Research Division of the General Assembly on the implementation of the UNC-NCCCS 2+2 E-Learning Initiative. Specifies content of report.

#### **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, with approval of the OSBM, to reorganize budget code 16012, UNC Board of Governors Related Educational Programs, for the 2007-08 fiscal year so that the budget reflects and segregates each specific program individually. Directs the University of North Carolina General Administration to report the new budget structure to the Fiscal Research Division of the General Assembly no later than March 31, 2008.

#### **MANAGEMENT FLEXIBILITY CARRYFORWARD OF 2.5% OF A SPECIAL RESPONSIBILITY CONSTITUENT INSTITUTION OF THE UNIVERSITY OF NORTH CAROLINA'S AUTHORIZED BUDGET MAY BE USED FOR ONETIME CAPITAL PROJECTS**

SECTION 9.9. Amends GS 116-30.3 to allow funds carried forward to be used as nonrecurring funds for new capital projects. Provides that new projects with a cost of less than \$300,000 require permission of Director of the Budget and new projects with greater cost require consultation with the Joint Legislative Commission on Government Operations and permission of the Director of the Budget. Funds may be used to increase the cost of an existing capital project on a one-time basis only.

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

SECTION 9.10. Amends GS 90-171.95(b) to add provision for a scholarship loan for two years at \$15,000 per year per recipient to current nursing faculty in the North Carolina Community College System enrolled in a masters degree program in nursing education. Provides that current community college nursing faculty receive preference for 25 scholarships in 2007-08 and 50 scholarships in 2008-09. Provides that the North Carolina Nursing Scholars Commission is to grant stipends of up to \$15,000 per year, per recipient, to current nursing faculty in the North Carolina Community College System who have received a Graduate Nurse Scholarship Loan. If a recipient continues to teach at a North Carolina community college while enrolled, the total salary and stipend must not exceed \$44,672.

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

SECTION 9.11. 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 without incurring student loans. SEAA is to administer the Fund. Sets income and enrollment criteria for grants. The maximum grant is set 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 remain available to SEAA for future program grants. Of funds appropriated to SEAA for the 2007-09 biennium, \$50 million in 2007-08 and \$100 million in 2008-09 is to be used to implement the program, except that no grants are to be distributed before July 1, 2008.

#### PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

##### DHHS PAYROLL DEDUCTION FOR CHILD CARE SERVICES

SECTION 10.1. Permits Departmental employees to authorize, in writing, periodic payroll deductions to pay for child care provided by the Department of Health and Human Services (DHHS).

##### PHYSICIAN SERVICES

SECTION 10.2. Permits DHHS, with approval of the Office of State Budget and Management, 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 10.3.(a) 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.

##### NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.4. Directs that providers of medical services under the 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 such services which 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.

##### SCHOOL-BASED CHILD AND FAMILY TEAM INITIATIVE

SECTION 10.5. 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 upon 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 the 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 cochair of the council, with other members being the Secretary of the Department of Juvenile Justice and Delinquency Prevention, the Chair of the State Board of Education, the Director of the Administrative Office of the Courts, and other members as appointed by the Governor. Sets out duties of council.

## FUNDS FOR SCHOOL NURSES

SECTION 10.6. Directs that the funds appropriated to DHHS for school nurses, must not supplant local, state, or federal funds and that communities must maintain their current level of effort and funding for school nurses. Directs that all school nurses funded with state funds participate, as needed, in child and family teams.

## COMPREHENSIVE TREATMENT SERVICES PROGRAM

SECTION 10.7. 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 the Department of Public Instruction 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 the Administrative Office of the Courts and the Department of Juvenile Justice and Delinquency Prevention, as appropriate, addressing issues pertinent to local implementation of the Program.

## AREA AUTHORITY AND COUNTY PROGRAM CRISIS REGIONS

SECTION 10.8. Directs that LMEs make monthly reports to DHHS regarding the use of the funds appropriated for crisis services, whether there has been a reduction in the use of state psychiatric hospitals for acute admissions, and any remaining gaps in local and regional crisis services.

## LME ADMINISTRATIVE COSTS

SECTION 10.9. Directs the Secretary of DHHS, after consultation with the N.C. Council on Community Programs, to develop a plan to meet the administrative needs of LMEs within the existing resources of the LME administrative budget authorized by the act. Directs the Secretary, before implementation, to report the plan to the chairs of the House Appropriations Subcommittee on Health and Human Services, Senate Appropriations Subcommittee on Health and Human Services, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services (LOC).

## DEVELOPMENTAL CENTER DOWNSIZING

SECTION 10.10. Directs DHHS to ensure that the downsizing of the state's regional Developmental Centers is based upon 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.

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

SECTION 10.11. 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.

## NC KID'S CARE

SECTION 10.12. Directs the DHHS Division of Medical Assistance to develop and implement a limited benefit medical assistance program, NC Kids' Care, to expand coverage to children in families with incomes between 200% and 300% of the federal poverty guidelines, as revised April 1 of each year. Authorizes using the recommendations of the North Carolina Institute of Medicine's Task Force on Covering the Uninsured, April 2006, as the basis for developing the program, specifying covered services, setting coverage limitations, and establishing cost-sharing requirements, subject to exceptions set out in the bill. Limits enrollment to 12,100 children for each year of the 2007-09 fiscal biennium and provides that the nonfederal costs of the program are to be paid with state funds and enrollee premiums, with no requirement of counties sharing in the cost. Provides that the program is to become effective January 1, 2008, or upon approval of all required federal waivers and state plan amendments, whichever is later.

## CODIFY LONG-STANDING MEDICAID PROVISIONS/FUNDS AND ALLOCATIONS

SECTION 10.13. Adds new GS 108A-54.1A, specifying that Medicaid services are for both the categorically needy and the medically needy and specifying that the State will pay 85%

and the counties 15% of the nonfederal costs of Medicaid services and of federal clawback payments. Amends GS 108A-54.2 to permit DHHS to enter into various contracts to improve cost containment and to undertake cost-containment programs.

#### **CODIFY LONG-STANDING MEDICAID PROVISIONS/ELIGIBILITY**

SECTION 10.13A. Adds new GS 108A-54.3 setting out maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance; providing for annual updating of various income limits; requiring services, without regard to income, to adoptive children with special or rehabilitative needs or independent foster care adolescents, ages 18, 19, or 20; and setting out incentive allowances for Medicaid-eligible recipients of ICF and ICF/MR services.

#### **CODIFY LONG-STANDING MEDICAID PROVISIONS/SERVICES**

SECTION 10.13B. Adds new GS 108A-54.4 setting out a schedule of services and payment bases for Medicaid services; directs that these services and payment bases will be as prescribed in the State Plan and may be changed with the approval of the Director of the Budget.

#### **CODIFY LONG-STANDING MEDICAID PROVISIONS/PROVIDERS**

SECTION 10.13C. Adds new GS 108A-54.5 requiring a performance bond or letter of credit from Medicaid-enrolled providers and sets out standards for waiving the requirement; and establishing maximum number of visits per recipient per year that will be reimbursed.

#### **CODIFY LONG-STANDING MEDICAID PROVISIONS/EXCEPTIONS**

SECTION 10.13D. Adds new GS 108A-54.6 permitting waiver of service limitations, eligibility requirements, and payments bases in order to allow DHHS to carry out pilot programs for prepaid health plans, contracting for services, managed care plans, or community-based services programs in accordance with plans approved by the United States Department of Health and Human Services or when DHHS determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. New section also authorizes DHHS to establish co-payments up to federal maximums.

#### **CODIFY LONG-STANDING MEDICAID PROVISIONS/RULES/REPORTS**

SECTION 10.13E. Adds new GS 108A-54.7 permitting DHHS to adopt temporary or emergency rules and requiring it to report to various legislative agencies any changes it anticipates making in the Medicaid program that will require federal approval.

#### **RECODIFY MEDICAID BUY-IN/CHANGE EFFECTIVE DATE**

SECTION 10.13F. Directs the Revisor of Statutes to recodify GS 108A-54.1 as GS 108A-54.8. Amends Section 10.18(c) of SL 2005-276 to make section 10.18(a) of that section effective 12 months after Medicaid Management Information system or its replacement becomes operational and stabilized.

#### **PROPOSED CHANGES TO MEDICAL POLICY**

SECTION 10.14. Unless required for compliance with federal law, prohibits DHHS from changing medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance (DMA) has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. Prohibits DHHS from implementing any proposed medical policy change exceeding \$3 million in total requirements for a given fiscal year unless the source of state funding is identified and approved by the office of state budget and management.

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

SECTION 10.15. 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.

#### **IMPLEMENT ELECTRONIC QUALITY PRESCRIPTION MANAGEMENT PROGRAM**

SECTION 10.16. Directs DMA to implement an Electronic Quality Prescription Management program for prescription drugs through the use of personal data assistant (PDA) technology.

#### **MEDICAID COST-CONTAINMENT ACTIVITIES**

SECTION 10.17. 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 the Office of State Budget and Management before funds may be expended under this section

#### EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVE PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.18. Directs that full implementation for the Community Alternatives Programs reimbursement system must be not later than 12 months after the date of which the replacement Medicaid Ma

#### COUNTY MEDICAID COST SHARE FOR CERTAIN SERVICES

SECTION 10.19. 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, directs 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 10.20. For each year of the 2007-2009 fiscal biennium, directs the DHHS, Division of Medical Assistance, to deposit funds associated with Disproportionate Share Payments from state hospitals up to \$100 million 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.

#### DISPROPORTIONATE SHARE GAIN

SECTION 10.21. Rewrites GS 143C-9-1 to establish the Medicaid Special fund, a nonreverting special fund in DHHS. Specifies that the Medicaid Special Fund consists of the federal Medicaid disproportionate share monies remaining after payments are made to hospitals and directs DHHS to transfer the disproportionate share gain, after payments are made to hospitals, to the Medicaid Special Fund. Provides that funds deposited to the Medicaid Special Fund be available for expenditure upon an act of appropriation of the General Assembly.

#### MEDICAID SPECIAL FUND TRANSFER

SECTION 10.22. 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 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 1997-02, and appropriates funds from the fund for the 2007-09 fiscal biennium for this purpose.

#### MEDICAID ESTATE RECOVERY TO INCLUDE LIENS ON REAL PROPERTY

SECTION 10.23. Rewrites GS 108A-70.5 to delete references to imposing liens against real property to recover claims against estates for Medicaid services and to specify that DHHS's Medicaid Estate Recovery Plan may include rules to waive whole or partial recovery when recovery would be inequitable. Repeals GS 108A-70.6 through GS 108A-70.9.

#### REQUIRED DATA SHARING BY PRIVATE HEALTH INSURERS

SECTION 10.23A. Rewrites GS 108A-55.4 to clarify about whom DHHS may seek information from insurers and the information that may be requested.

#### SUBROGATION RIGHTS FOR MEDICAID AND NC HEALTH CHOICE

SECTION 10.24. Rewrites GS 108A-57(a) to specify that when proceeds are obtained by a beneficiary not represented by an attorney, DHHS is entitled to medical damages up to the full amount of assistance paid on behalf of the beneficiary or up to two-thirds of the gross amount of the recovery, whichever is less; and to specify that when proceeds are obtained by a beneficiary who is represented by an attorney, DHHS is entitled to medical damages up to the full amount of assistance paid or up to one-third of the recovery, whichever is less. Specifies who is responsible for making payment to DHHS. Amends GS 135-40.13A (subrogation by Teachers and State Employees Comprehensive Major Medical Plan) to apply provisions to NC Health Choice and to provide for the same subrogation shares of proceeds obtained by beneficiaries as set out in revised GS 108A-57(a).

## SENIOR CENTER OUTREACH

SECTION 10.25. Directs the Division of Aging and Adult Services to use funds appropriated to it for the 2007-09 fiscal biennium, 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.

## STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.26. 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 10.27 Permits DHHS to use funds from the existing State-County Special Assistance for Adults budget to provide Special Assistance payments to up to 1500 eligible individuals in in-home living arrangements and sets out requirements for doing so.

## QUALITY IMPROVEMENT CONSULTATION PROGRAM FOR ADULT CARE HOMES

SECTION 10.28. Directs Division of Aging and Adult Services to develop a Quality Improvement Consultation Program for Adult Care Homes and sets out procedures for doing so and topics to be addressed. Requires the Division to conduct a pilot of the program in no more than four county departments of social services.

## CERTIFICATE OF NEED FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 10.29. Rewrites GS 131E-177(9) to set the certificate of need fee as follows: \$5,000 plus ".003" of the amount of the proposed capital expenditure that exceeds \$1 million but not more than \$50,000.

## HEALTH CARE FACILITY CONSTRUCTION PROJECT FEE INCREASES TO MEET STATUTORY OBLIGATIONS

SECTION 10.30. Rewrites GS 131E-267 to set fees for health care facility construction projects. The fees are grouped for hospitals, nursing homes, adult care homes, and residential projects and generally graduated by the size of the project.

## COMMUNITY HEALTH CENTER CHANGES

SECTION 10.31. Provides that of the funds appropriated for Community Health Grants, \$500,000 in each year of the biennium 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.

## DIVISION OF INFORMATION RESOURCE MANAGEMENT PROJECT MANAGEMENT

SECTION 10.32. Specifies that all project management positions within the Division of Information Resource Management are exempt positions as that term is defined in GS 126-5.

## HEALTH INFORMATION SYSTEMS (HIS) FUNDS

SECTION 10.33. Appropriates \$9,582,116 from Budget Code 24430, Fund Code 2117, to the Division of Public Health, for the 2007-08 fiscal year to be used for development and implementation of the Health Information Systems (HIS).

## CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.34. Directs DHHS to implement and maintain performance standards developed for each of the state and county child support enforcement offices across the state and sets out matters to be included in the standards.

## FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS



SECTION 10.35. 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 10.36. 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.

#### SPECIAL CHILDREN ADOPTION FUND

SECTION 10.37. Specifies that of the funds appropriated to DHHS, \$100,000 must be used to support the Special Children Adoption Fund for the 2007-08 and 2008-09 fiscal years. 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 G.S. 108A-50 and in foster care. 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.

#### TANF BENEFIT IMPLEMENTATION

SECTION 10.38. 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.

#### INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.39. Directs the Intensive Family Preservation Services (IFPS) 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. Directs DHHS to 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.

#### CHILD CARE ALLOCATION FORMULA

SECTION 10.40. 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 per cent 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 fiscal years 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 10.41. 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.

#### CHILD CARE REVOLVING LOAN

SECTION 10.42. 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.

#### CHILD CARE SUBSIDY RATES

SECTION 10.43. Specifies that the maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services is to be 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 1-3, 10% of gross family income; (2) family of 4-5, 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.

#### EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.44. 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 during the biennium on 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.

#### NORTH CAROLINA PARTNERSHIP FOR CHILDREN PERSONNEL RECORD PROTECTION

SECTION 10.45. Rewrites GS 143B-168.12(a)(2) and GS 143B-168.14(a)(2) to permit the NC Partnership for children and local partnerships to provide for confidentiality of personnel files comparable to the confidentiality of state employee personnel files.

#### PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

##### PLANT INDUSTRY DIVISION-PLANT CONSERVATION PROGRAM

SECTION 11.1. Directs that \$30,000 be transferred for 2007-08 from funds deposited with the State Treasurer to the credit of the Department of Agriculture and Consumer Services (DACS) in a capital improvement account to be used for DACS's plant conservation program.

##### SALE OF TIMBER

SECTION 11.2. Amends GS 143-64.05(a) to exclude from the service charge the transfer or sale of timber on land owned by DACS (currently excludes only the Wildlife Resources Commission).

#### PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

##### MINING PERMIT APPLICATION REVIEW FEE

SECTION 12.1. Amends GS 74-54.1 to set the fees for processing permit applications and permit renewals and modifications as follows:

	0-25 acres	26+ acres
New Permit Applications	\$3,750.00	\$5,000.00
Permit Modifications	\$750.00	\$1,000.00
Permit Renewals	\$750.00	\$1,000.00
Transfers	\$100.00	\$100.00

Also requires the fees to be adjusted for inflation on January 1 of each year. Under current law, the fees may vary based on the acreage, and nature of the proposed operations or modifications and include consideration of administrative and personnel costs in processing the applications. Current law also caps the fee for a new permit application at \$2,500.

##### MODIFY THE COMMERCIAL AND NONCOMMERCIAL LEAKING PETROLEUM UNDERGROUND STORAGE TANK FEES AND PROGRAM

SECTION 12.2. Amends GS 143-215.94C (a) to increase the annual operating fee for owners and operators of a commercial petroleum underground storage tank to \$450 and retains original fee amounts. Amends GS 143-215.94B and GS 143-215.94D to allow the Commercial Fund and the Noncommercial Fund to be used to support the Underground Storage Tank (UST) administrative functions up to the amounts allowed by law, which may be changed from time to time. Provides that when there is a legislated increase or decrease in salaries and benefits, the administrative allowance will correspondingly increase or decrease.

##### SOLID WASTE MANAGEMENT FACILITY PERMIT FEES AND ANNUAL FEES

SECTION 12.3. Enacts new GS 130A-293.1 establishing the non-reverting Solid Waste Management Account (account) within the Department of Environment and Natural Resources

(DENR). Permit application fees collected under the statute are credited to the account and are to be used for reviewing permits, monitoring solid waste management facilities, increasing compliance, and reviewing and updating rules governing solid waste landfills. Establishes application fees for new permits, permit amendments, and permit modification, for municipal solid waste landfills and construction and demolition landfills (which increase based on capacity), tire monofill, treatment and processing, transfer stations, incinerators, large compost facilities, and for land clearing and inert. Also establishes annual permit fees for permitted solid waste management facilities.

#### **WATER QUALITY PERMIT FEES**

SECTION 12.4.(a) Amends GS 143-215.3D to provide that water quality permit fees must be increased each calendar year by the percentage the General Assembly has increased employee salaries. Also increase the following annual fees: (1) a major individual NPDES permit from \$2,865 to \$3,440; (2) a minor individual NPDES permit from \$715.00 to \$860.00; (3) for a single family residence from \$50 to \$60; (4) stormwater and wastewater discharge general permits from \$80 to \$100; (5) recycle systems from \$300 to \$360; (6) major nondischarge permits from \$1,090 to \$1,310; and (7) minor nondischarge permits from \$675.00 to \$810.00. Increase the following fees: (1) sewer system extension permits from \$400 to \$480; (2) state stormwater permits application fee from \$420 to \$505; (3) major water quality certifications from \$475 to \$570; (4) minor water quality certifications from \$200 to \$240; and (5) permit for land application of petroleum contaminated soils from \$400 to \$480.

SECTION 12.4.(b) Amends GS 143-215.10G to increase the annual permit fees for animal operations with systems with design capacities as follows: (1) 38,500 or more and less than 100,000 pounds steady state live weight, from \$50 to \$60; (2) 100,000 or more and less than 800,000 pounds steady state live weight, from \$150 to \$180; and (3) 800,000 pounds or more steady state live weight, from \$300 to \$360. Also increases the annual permit fees for dry litter poultry facilities with systems as follows: (1) fewer than 25,000 laying chickens, fewer than 37,500 nonlaying chickens, or fewer than 16,500 turkeys, from \$50 to \$60; (2) 25,000-290,000 laying chickens, 37,500-290,000 nonlaying chickens, or 16,500-133,000 turkeys, from \$150 to \$180; and (3) more than 200,000 laying chickens, more than 290,000 nonlaying chickens, or more than 133,000 turkeys, from \$300 to \$360.

SECTION 12.4.(c) Amends G.S. 90A-42 to increase the annual renewal fee for the certification of water pollution control system operators and animal waste management system operators from \$35 to \$50.

#### **STATEWIDE WASTE TIPPING FEE**

SECTION 12.5. Enacts new GS 130A-309.08A to impose a fee of \$2 per ton of municipal solid waste or construction or demolition debris disposed of in any permitted landfill. Also imposes a fee of \$2 per ton of waste on the transfer of solid waste to a transfer station for disposal outside the state. Provides for the recording of waste tonnage and the calculation of fees. Fees received are to be credited to the Inactive Hazardous Sites Cleanup Fund and are to be used for: (1) assessment and remediation of orphan landfills; (2) assessment and remediation of inactive hazardous substance or waste disposal sites for which a private party, that cannot be identified or located, may be responsible; (3) up to 15% of the proceeds may be costs of administering contracts for assessment and remediation; (4) up to 10% of the proceeds may be used for grants to local government to support redevelopment of brownfields; and (5) up to 10% of the proceeds may be used to pay the state's share of the cost of assessment and remediation of sites listed on the federal national priorities list.

#### **SEDIMENTATION AND EROSION CONTROL PLAN REVIEW FEE**

SECTION 12.6. Amends GS 113A-54.2(a) to increase the application fee for the review of an erosion and sedimentation control plan to \$65 per acre of disturbed land. Current law authorizes the commission to establish a fee schedule and caps the fee at no more than \$50 per acre of disturbed land.

#### **MODIFY EXISTING FEE STRUCTURE FOR RADIOACTIVE MATERIAL LICENSEES**

SECTION 12.7. Directs the Division of Environmental Health, Radiation Protection Section, to increase the fee structure for radioactive material licensees in order to provide funds to support one additional Health Physicist position and associated operating costs.

#### **PROCEEDS FROM TIME WARNER CABLE LEASE**

SECTION 12.8. Requires that the net proceeds received by the Division of Forest Resources from Time Warner Cable for the lease of specific property be transferred to DENR and deposited into a capital improvement account which may be used fund construction of an equipment storage building and related improvements.

#### PART XIII. DEPARTMENT OF COMMERCE

##### REGULATORY FEE FOR UTILITIES COMMISSION

SECTION 13.1. 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.

##### WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 13.2. Provides that funds appropriated to the Department of Commerce for 2006-07 for the Wanchese Seafood Industrial Park do not revert to the General Fund, but remain available for Wanchese Seafood Industrial Park operations, maintenance, repair, and capital improvements. Also provides that funds appropriated to the Department of Commerce for 2006-07 for the Oregon Inlet Project do not revert to the General Fund, but remain available for the Wanchese Seafood Industrial Park for use in securing adequate channel maintenance of Oregon Inlet, and for operations, maintenance, repair, and capital improvements.

##### ONE NORTH CAROLINA FUND

SECTION 13.3. 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.

##### BIOTECHNOLOGY CENTER

SECTION 13.4. 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 again by January 15, 2009, to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division 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 (OSBM) and the Fiscal Research Division in the same manner as State departments and agencies in preparation for biennium budget requests.

##### ADVANCED VEHICLE RESEARCH CENTER /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 report to the Governor, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research certain specified information and documents.

##### ABC COMMISSION

SECTION 13.6. Amends GS 18B-208(b) to provide that the ABC Commission must fix the level of the bailment surcharge at an amount calculated to cover operating expenses of the Commission, capital improvement to the Commission's warehouse and offices, and the retirement of any bonds issued for capital improvements. Unexpended surplus of this fund remains available to the Commission for these purposes.

#### PART XIV. ADMINISTRATIVE OFFICE OF THE COURTS

##### TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 14.1. Provides that the Administrative office of the Courts (AOC) may transfer funds appropriated to it for 2007-09 for equipment and supplies to the appropriate programs and between programs as the equipment priorities and supply consumptions occur during the operating year.

##### FEDERAL GRANT FUNDS

SECTION 14.2. Provides that the AOC may use up to \$1.5 million from funds available to provide the state match needed in order to receive federal grant funds.

#### PART XV. DEPARTMENT OF CORRECTION

##### FEDERAL GRANT MATCHING FUNDS

SECTION 15.1. Provides that the Department of Correction may use up to \$1.2 million in 2007-08 and up to \$1.2 million in 2008-09 from funds available to provide the state match needed in order to receive federal grant funds.

##### MEDIUM CUSTODY ROAD CREW COMPENSATION

SECTION 15.2. Directs the Department of Transportation to transfer \$10 million per year to the Department of Correction during 2007-08 and 2008-09 for the actual costs of highway-related labor performed by medium-custody prisoners. Allows the Department of Transportation to use appropriated funds to pay an additional amount exceeding the \$10 million, subject to negotiations among the Department of Transportation, the Department of Correction, and the OSBM. Provides that the Department of Correction may use up to 39 work crews for Department of Transportation litter control projects and directs the Department of Transportation to transfer at least \$1.3 million per year from the Highway Fund to the Department of Correction during 2007-08 and 2008-09 to cover the cost of those work crews.

##### LIMIT USE OF OPERATIONAL FUNDS

SECTION 15.3. Provides that funds appropriated to the Department of Correction for operational costs for additional facilities must be used for personnel and operating expenses set forth in the budget approved by the General Assembly and must not be expended for additional prison personnel positions until the new facilities are within 180 days of projected completion, except for certain management, security, and support positions necessary to prepare the facility for opening.

##### USE OF CLOSED PRISON FACILITIES

SECTION 15.4. Directs the Department of Correction to consult with counties or municipalities in which prison units to be closed are located, with the elected state and local officials, with state agencies, and with any private for-profit or nonprofit firm about the possibility of converting units to other uses, with priority being given to converting the unit to another security-level unit or to other criminal justice use. Also provides that the state may provide for the transfer or the lease of any of these units to counties, municipalities, state agencies, or private firms wishing to convert them to other uses. Also provides that a prison unit under lease to a county for use as a jail is exempt for the period of the lease from any of the minimum standards adopted by the Secretary of Health and Human Services pursuant to 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.

##### ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT

SECTION 15.5. The Department of Correction may continue to contract with Energy Committed To Offenders, Inc., for the purchase of prison beds for minimum security female inmates during 2007-08 and 2008-2009.

##### CRIMINAL JUSTICE PARTNERSHIP PROGRAM

SECTION 15.6. Authorizes the Department of Correction to reallocate unspent or unclaimed funds distributed to counties participating in the State-County Criminal Justice Partnership Program in order to maintain the level of services realized in previous years.

##### REPORTS ON NONPROFIT PROGRAMS

SECTION 15.7. (1) Provides that funds appropriated to the Department of Correction 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 to report on the use of the money and the success of the program. (2) Requires Summit House to report by February 1 of each year to various legislative committees on the expenditure of state appropriations and on the effectiveness of its program. (3) Requires Women at Risk to report by February 1 of each year to various legislative committees on the expenditure of State funds and on the effectiveness of its program. (4) Requires Our Children's Place to report by February 1, 2008, to various legislative committees on the status of Our Children's Place.

#### PART XVI. DEPARTMENT OF ADMINISTRATION

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

SECTION 16. Repeals Part 14A of Article 9 of Chapter 143B of the General Statutes. Also provides for the Governor's redesignation of the operation and function of the Governor's Advocacy Council for Persons with Disabilities from the Department of Administration to a nongovernmental entity.

## PART XVII. OFFICE OF STATE BUDGET AND MANAGEMENT MODIFY STATE FIRE PROTECTION GRANT FUND

SECTION 17.1. Amends GS 58-85A-1(c) to increase the annual appropriation to the State Fire Protection Grant Fund from \$3,080,000 to \$4,800,000 from the General Fund, from \$150,000 to \$158,000 from the Highway Fund, and from \$970,000 to \$1,345,000 from University of North Carolina receipts.

## GEOGRAPHICAL INFORMATION SYSTEMS (GIS) STUDY

SECTION 17.2. Directs OSBM, in consultation with the Center for Geographic Information and Analysis, the State Chief Information Officer, and the chair of the Geographic Information Coordinating Council, to conduct a study to identify the development and use of Geographical Information Systems (GIS) in North Carolina by state agencies (other than the North Carolina University System and to the Judicial Branch) and to make recommendations on the governance, organization, and staffing of GIS in and across state agencies and on a coherent and cost-effective state investment strategy for GIS that appropriately leverages local and federal support. Directs OSBM to report to the General Assembly by January 15, 2008.

## MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 17.3. Appropriates from the General Fund to a Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State Budget and Management \$1 million annually, to be distributed to each military installation on a per capita basis.

## LICENSING BOARD REPORTING REQUIREMENT

SECTION 17.4. Amends G.S. 93B-2(b) to add the Office of State Budget and Management to the list of persons and agencies to which occupation licensing boards should submit financial reports.

## STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS

SECTION 17.5. Directs the OSBM, in consultation with the Office of State Controller and the Office of State Personnel, to conduct annual follow-up analyses to the Human Resources/Payroll Function Mapping Analysis completed in January 2007 by the BEACON staff and OSBM. Also directs OSBM to conduct a staffing analysis of the business functions of state government to include agency fiscal offices, budget offices, and procurement offices to be completed by April 30, 2008, with follow-up analyses conducted annually by January 1 of each year. Provides that staffing metrics developed in association with the staffing analyses of HR/Payroll and the other business functions should be incorporated into Results Based Budgeting documents and allow for comparison between state agencies in these areas.

## STUDY OF THE WORKERS' COMPENSATION PROGRAM IN STATE AGENCIES

SECTION 17.6. Directs OSBM, in consultation with the Office of State Personnel and the Office of State Controller, to conduct an effectiveness and efficiency study of the Workers' Compensation Program in State agencies and institutions and to submit a final report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by April 30, 2008.

## STAFFING ANALYSIS OF THE ETHICS COMMISSION AND THE LOBBYIST REGISTRATION SECTION OF THE SECRETARY OF STATE'S OFFICE

SECTION 17.7. Directs OSBM to conduct a staffing analysis of the Ethics Commission and the Lobbyist Registration Section of the Secretary of State's Office to determine if the staffing is appropriate for the workload volume that has been generated by the enactment of SL 2006-221.

## PART XVIII. DEPARTMENT OF REVENUE

## TWENTY PERCENT (20%) COLLECTION ASSISTANCE FEE

SECTION 18.1. Enacts GS 105-243.1(e)(7) to include paying for the replacement of the Integrated Tax Administration system (ITAS) and related e-Business initiatives among the purposes for which the 20% collection assistance fee may be used.

WHITE GOODS DISPOSAL TAX PROGRAM

SECTION 18.2. 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 as reimbursement.

SCRAP TIRE DISPOSAL TAX PROGRAM

SECTION 18.3. 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 as reimbursement.

PART XIX. SALARIES AND BENEFITS

Modifies salary and benefits provisions, effective July 1, 2007, as follows.

SECTION 19.1. GOVERNOR AND COUNCIL OF STATE/SALARY INCREASES

Sets salary of the Governor at \$133,895 and the Council of State at \$118,171.

NONELECTED DEPARTMENT HEAD/SALARY INCREASES

SECTION 19.2. Sets salary of nonelected department heads at \$115,453.

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 19.3. Sets salaries as follows:

Executive Branch Officials	Annual Salary
Chairman, 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	136,490
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

JUDICIAL BRANCH OFFICIALS/SALARY INCREASES

SECTION 19.4

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	\$ 133,895
Associate Justice, Supreme Court	130,395
Chief Judge, Court of Appeals	127,135
Judge, Court of Appeals	124,963
Judge, Senior Regular Resident Superior Court	121,567
Judge, Superior Court	118,171
Chief Judge, District Court	107,306
Judge, District Court	103,910
Administrative Officer of the Courts	121,567
Assistant Administrative Officer of the Courts	111,040

Establishes the minimum salary of Assistant District Attorney or Public Defender at \$35,561 and provides that average salaries of those positions will not exceed \$68,051 in each district.

CLERK OF SUPERIOR COURT SALARY INCREASES

SECTION 19.5. 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:

<u>Population</u>	<u>Annual Salary</u>
Less than 100,000	\$79,040
100,000 to 149,999	88,695
150,000 to 249,999	98,353
250,000 and above	108,612.

#### ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES/ELIMINATE DEPUTY CLERK HIRING RATE

SECTION 19.6. 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 19.7. 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

SECTION 19.8. Amends GS 120-37(c) to establish the salary of principal clerks at \$98,837.

#### SERGEANT-AT-ARMS AND READING CLERKS

SECTION 19.9. Amends GS 120-37(b) to set the salary of the sergeant-at-arms and reading clerk at \$354 per week.

#### LEGISLATIVE EMPLOYEES

SECTION 19.10. Provides that the salaries of nonelected employees of the General Assembly will be increased by 2.5%.

#### COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 19.11. Directs the Director of the Budget to transfer from the Reserve for Compensation Increases, for fiscal years 2007-08 and 2008-09, funds to the North Carolina Community Colleges System Office necessary to (1) provide an annual salary increase of 2.5% for permanent full-time community college institutional personnel supported by state funds and (2) provide 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 19.12. 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 teaching employees of the NC School of Science and Mathematics supported by state funds whose salaries are exempt from the SPA. Requires that funds be allocated to individuals according to the rules adopted by the Board of Trustees of the NC School of Science and Mathematics and not be used for any purpose other than for salary increases and necessary employer contributions.

#### MOST STATE EMPLOYEES

SECTION 19.13. Increases the salaries of all permanent full-time state employees whose salaries are set in accordance with the SPA, and who are paid from the General Fund or Highway Funds, by 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%. 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



SECTION 19.14. 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.

#### TEMPORARY SALES TAX TRANSFER FOR WILDLIFE RESOURCES COMMISSION SALARIES

SECTION 19.15. Directs the Secretary of Revenue to transfer at the end of each quarter from the state sales and use tax net collections to the State Treasurer for the Wildlife Resources Fund funds for the cost of any legislative salary increase for employees of the Wildlife Resources Commission.

#### SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 19.16. 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 proportion in the same proportion. Specifies the State's employer contribution rates and amounts for benefits.

#### STATE HEALTH PLAN BENEFIT CHANGES

SECTION 19.17.(a) Amends G.S. 135-40.5 to raise the allowable copayments for outpatient prescription drugs under the both the Indemnity Plan and PPO options of the State Health Plan to \$15.00 for each generic prescription and \$30.00 for each preferred branded prescription.

SECTION 19.17.(b). Amends G.S. 135-40.6 to raise the deductible for each State Health Plan Indemnity Plan member from \$350 to \$450.

SECTION 19.17.(c). Amends G.S. 135-40.6(7)a. to provide that State Health Plan indemnity plan members are responsible for the first \$25.00 of allowable charges for each home, office, or skilled nursing facility visit

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

SECTION 19.18. Adopts retirement allowance increase of 2% effective July 1, 2007.

#### SALARY ADJUSTMENT FUND

SECTION 19.19. Authorizes the use of any remaining appropriations in the General Fund Reserve for Compensation Increases or the Highway Fund Reserves and Transfers authorized for employee salary increases to supplement the General Fund Salary Adjustment and the Highway Fund Salary Adjustment Fund respectively. Directs the Director of the Budget to consult with the Joint Legislative Commission on Governmental Operations before transferring any salary adjustment funds for any State agency. Judicial Department and UNC System SPA employees are eligible for salary increases funded by the section.

#### INTERNAL REVENUE CODE UPDATE

SECTION 20.1. Identical to H 458, filed 3/1/07 and S 240, filed 2/20/07. Amends GS 105-228.90(b)(1b) by changing the reference to the Internal Revenue Code from that enacted as of January 1, 2006, to that enacted as of January 1, 2007. This change makes recent amendments to the Internal Revenue Code applicable to state law to the extent that it tracks federal tax law. Also provides that notwithstanding the date change, any amendments to the Internal Revenue Code made after January 1, 2006, that have the effect of increasing NC taxable income for the 2006 tax year are effective only for tax years beginning on or after January 1, 2007.

#### NO-TAX FLOOR

SECTION 20.2. Effective January 1, 2008, enacts new GS 105-151.30 to (1) eliminate NC individual income taxes for NC residents with adjusted gross income (AGI) below \$5,000 for single taxpayers and \$10,000 for married couples filing jointly and (2) reduce by one-half NC individual income taxes on NC residents with AGI below \$12,500 for single taxpayers and \$25,000 for married couples filed jointly. The tax reduction for nonresidents under these thresholds is adjusted in proportion to their NC income.

#### SALES TAX CHANGE

SECTION 20.3. Makes no substantive change. Apparently intends to amend SL 2006-66, Section 24.1, under which the current 4.25% state sales tax in GS 105-164.4 is reduced to 4% effective July 1, 2007.

#### INCOME TAX CHANGE

SECTION 20.4. Makes no substantive change. Apparently intends to amend SL 2006-66, Section 24.2, under which the 8% individual income tax bracket on upper income taxpayers in GS 105-134.2 is set to expire beginning with the 2008 tax year.

#### ADOPTION TAX CREDIT

SECTION 20.5.(a) 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 2008 tax year.

#### COMBINED INCOME TAX REPORTING

SECTION 20.6. Substantively identical to H 462, filed 3/1/07, and S 244, filed 2/20/07, requiring corporations to file a combined income tax report, effective beginning with the 2009 tax year.

#### PART XXI. GENERAL CAPITAL APPROPRIATIONS/PROVISIONS

##### CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 21.2. Makes the following appropriations from General Fund for the 2007-2008 fiscal year:

Capital Improvements – General Fund	2007-2008
Department of Administration	
Court of Appeals Building Renovation	\$ 10,498,000
Deerfield Cottage Renovation	3,556,000
Green Square Complex – Planning and Design	2,500,000
Department of Agriculture	
Study and Design Evaluation of the Veterinary Diagnostic Laboratory System	1,250,000
Alkaline Digester	1,200,000
State Ports Authority	
Capital Improvements at the Ports of Wilmington and Morehead City	7,500,000
Department of Crime Control and Public Safety	
Master Planning Statewide	280,200
Camp Butner Training Site Buffer	117,800
Gastonia Armory Rehab, Addition, and Alteration	527,100
Department of Cultural Resources	
Horne Creek Farm Visitors Center and Multipurpose Shelter	442,100
Museum of History Chronology Exhibit	6,322,900
Department of Environment and Natural Resources	
Water Quality – Chemistry Lab Office	252,200
Ashe County Forestry Headquarters	708,000
North Carolina Zoo- Horticulture Equipment Storage and Work Facility	450,000
North Carolina Zoo- Plains Barns and Paddocks	3,006,000
Water Resources Development Projects	19,182,000
Department of Justice	
Addition to SBI Buildings 17 and 18	1,792,006
Western Academy Firearms Range Compound	1,974,103
Department of Juvenile Justice and Delinquency Prevention	
New Youth Development Centers – Security Equipment	1,750,000
CA Dillon Maintenance Building	375,000
CA Dillon Administrative Offices (Mobile)	200,000

## TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND

\$63,883,409

## WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 21.3. 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
(1)	Wilmington Harbor Deepening	\$ 8,333,000
(2)	Manteo (Shallowbag Bay) Channel Maintenance	50,000
(3)	Wilmington Harbor Maintenance	200,000
(4)	Bogue Banks Beach Protection	84,000
(5)	B. Everett Jordan Water Supply Storage	100,000
(6)	Princeville Flood Control	98,000
(7)	Aquatic Plant Control, Statewide and Lake Gaston	400,000
(8)	Belhaven Harbor Breakwater Restoration	250,000
(9)	John H. Kerr Reservoir Operations Evaluation	400,000
(10)	Currituck Sound Water Management Study	350,000
(11)	Neuse River Basin Study	150,000
(12)	Surf City – N. Topsail Beach Protection (Pender County)	114,000
(13)	West Onslow Beach (Topsail Beach, Pender County)	43,000
(14)	Dare County Beach Protection	500,000
(15)	North Carolina Beach and Inlet Management Plan	250,000
(16)	Dredging Contingency Fund	2,500,000
(17)	State-Local WRD Grants	2,000,000
(18)	Planning Assistance to Communities	95,000
(19)	North Carolina Oyster Habitat Restoration	300,000
(20)	Concord Stream Restoration (Cabarrus Co)	1,130,000
(21)	Southern Shores Canal Dredging Phase II	408,000
(22)	Ararat River Restoration	852,000
(23)	Little Sugar Creek Stream Restoration Phase 7	575,000

## TOTALS

\$ 19,182,000

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 the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and OSBM. Specifies information to be included in the reports.

## REPAIR AND RENOVATION RESERVE ALLOCATION

SECTION 21.4. Of the funds in the Reserve for Repairs and Renovations for 2007-08 fiscal year, allocates 46% to the UNC Board of Governors of The University of North Carolina and 54% to OSBM. Directs UNC and OSBM to consult with the Joint Legislative Commission on Governmental Operations before allocating the funds.

## PART XXII. BONDS AND OTHER MATTERS

AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS FOR LAND ACQUISITION FOR PARKS, RECREATION, AND THE PRESERVATION OF NATURAL HERITAGE, AND TO USE FUNDS CURRENTLY DEDICATED TO THESE PURPOSES TO REPAY THE INDEBTEDNESS; AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS TO FINANCE VITAL STATE FACILITIES FOR PUBLIC HEALTH AND SAFETY  
STATE PARK LAND ACQUISITION

SECTION 22. Authorizes the issuance of \$50 million of special indebtedness under Article 9 of GS Chapter 142 for land acquisitions for the expansion of the State Park System and Mountains to Sea Trail. Specifies method for identifying land to be acquired. Requires the Parks and Recreation Trust Fund to reimburse the General Fund for debt service on the debt.

#### NATURAL HERITAGE LAND ACQUISITION

SECTION 22.1. Authorizes the issuance of \$50 million of special indebtedness under Article 9 of GS Chapter 142 for land acquisitions to conserve ecological diversity pursuant to G.S. 113-77.9. Directs the Trustees of the Natural Heritage Trust Fund to identify land to be acquired as provided in G.S. 113-77.9. Requires the Natural Heritage Trust Fund to reimburse the General Fund for debt service on the debt.

#### PUBLIC HEALTH AND SAFETY CAPITAL PROJECTS

SECTION 22.2. Authorizes the issuance of the following amounts of special indebtedness under Article 9 of GS Chapter 142 for the following projects.

<b>Amount</b>	<b>Project</b>
\$13,191,300	A 252-bed minimum security addition to the Alexander Correctional Institution.
\$19,816,500	A 504-bed medium security addition to the Scotland Correctional Institution.
\$39,763,100	A women's health and mental health medical facility.
\$26,580,000	A State Highway Patrol multipurpose building at the Garner Road campus.
\$10,000,000	To Information Technology Services for servers, routers, and equipment for the Secondary Data Center.
<b>\$109,350,900</b>	<b>Total</b>

#### MAXIMUM AMOUNT

SECTION 22.3. Specifies that the maximum amount of special indebtedness authorized pursuant to Sections 22.1 and 22.2 is \$209,350,900, and limits the amount that may be issued each fiscal year as follows:

<b>Fiscal Year</b>	<b>Land Acquisition</b>	<b>Health &amp; Safety</b>	<b>Total</b>	<b>Aggregate</b>
<b>Amount</b>				
2007-08	\$40,000,000	\$40,000,000		\$80,000,000
2008-09	\$30,000,000	\$40,000,000		\$70,000,000
2009-10	\$30,000,000	\$29,350,900		\$59,350,900

#### GENERAL PROVISIONS

SECTION 22.4. Specifies that none of the proceeds of special indebtedness authorized by the act may be used to acquire property by eminent domain.

#### AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE STATE TO PROVIDE FOR NECESSARY CAPITAL FACILITIES

SECTION 22.5. Subject to approval by the voters in an election to be held in November 2007, authorizes the issuance of \$1,163,967,000 in state general obligation bonds to be used for specified capital facilities for the executive branch and the UNC system.

Sets a staggered schedule for issuing the bonds as follows:

<b>Fiscal Year</b>	<b>Aggregate Amount</b>
2007-08	\$200,000,000
2008-09	\$275,000,000
2009-10	\$275,000,000
2010-11	\$250,000,000
2011-12	\$163,967,000

Delays the issuance of bonds for specified projects and designates savings, receipts, and other sources of funds to be used for debt service for certain projects.

#### AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE STATE TO PROVIDE WATER AND WASTEWATER CAPITAL IMPROVEMENTS

SECTION 22.6. Subject to approval by the voters in an election to be held in November 2007, authorizes the issuance of \$250 million in state general obligation bonds to be used one-half for water system improvements and one-half for wastewater system improvements.

Sets a staggered schedule for issuing the bonds as follows:

<b>Fiscal Year</b>	<b>Aggregate Amount</b>
2007-08	\$100,000,000
2008-09	\$ 37,500,000
2009-10	\$ 37,500,000
2010-11	\$ 37,500,000
2011-12	\$ 37,500,000

Directs DENR to follow GS 159G-23 in selecting recipients of grants and loans from the funds. Also sets other priorities, considerations and limitations on use of the funds. Specifies conditions for a local government to be eligible to receive funds. Authorizes the General Assembly to reallocate the funds at any time. Requires DENR to report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the use of the funds, and specifies the contents of the report.

#### **CLEAN WATER GRANT**

SECTION 22.7. Directs DENR to report annually to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on grants authorized by the act and specifies the contents of the report.

#### **MINORITY BUSINESS PARTICIPATION**

SECTION 22.8. Specifies that the goals set by G.S. 143-128 for participation in projects by minority businesses apply to projects funded by bonds issued under the act. Requires DENR to monitor compliance and report to the General Assembly each year on the participation by minority businesses in these projects.

#### **EFFECTIVE DATE**

SECTION 23.5. Provides that the act is effective July 1, 2007, except where otherwise provided.

**Intro. by Michaux, Adams, Alexander,  
Crawford.**

GS 7A, 18B, 18C, 58, 74, 90, 90A, 93B, 105,  
108A, 113A, 115C, 116, 120, 128, 130A, 131E,  
135, 143, 143B, 143C, 147, APPROP