

March 26, 2009

S 1093. APPROPRIATIONS ACT OF 2009. Filed 3/26/09. *TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.*

To be summarized in an edition of next week's *Daily Bulletin*.

Intro. by Garrou.

GS 105, 7A, 20, 136, 93B, 143B, 143, 131E,
131D, 130A, 108A, 150B, 110, 116, 115D, 7B,
115C, 143C, 147, Approp

March 31, 2009

S 1093. APPROPRIATIONS ACT OF 2009. Filed 3/26/09. *TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.*

PART I. INTRODUCTION AND TITLE OF ACT

This act is to be known as "The Current Operations and Capital Improvements Appropriations Act of 2009."

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, 2011:

2010-2011	FY 2009-2010	FY
State Agency or Division	(In Millions)	(In
Millions)		
Health and Human Services		
Central Administration	50,378,890	
52,351,620		
Aging	38,852,637	
38,854,436		
Child Development	279,553,887	
300,898,883		
Education Services	38,367,421	
38,419,329		
Public Health	184,376,922	
186,253,287		
Social Services	211,862,807	
218,188,346		
Medical Assistance	3,534,653,548	
3,760,966,766		
Child Health	72,878,252	
84,507,003		
Services for the Blind	11,410,072	
11,410,073		
Mental Health/DD/SAS	802,183,113	
797,170,665		
Health Service Regulation	18,013,493	
18,018,831		
Vocational Rehabilitation	42,095,435	
42,108,493		
Total Health & Human Services	5,284,626,477	
5,549,147,732		

Natural and Economic Resources	
Agriculture & Consumer Services	59,718,202
59,454,549	
Commerce	48,502,026
44,544,085	
Commerce – State Aid to Non-State Entities	70,065,318
58,315,318	
Environment and Natural Resources	199,933,377
202,333,715	
Clean Water Management Trust Fund	75,000,000
75,000,000	
Labor	15,852,544
<u>15,880,605</u>	
Total Natural and Economic Resources	469,071,467
455,528,272	
Justice and Public Safety	
Correction	1,316,791,882
1,322,897,116	
Crime Control & Public Safety	41,127,049
41,069,041	
Judicial	471,127,933
481,700,136	
Judicial – Indigent Defense	123,716,016
127,185,222	
Justice	94,287,671
94,483,101	
Juvenile Justice	155,076,168
<u>155,242,861</u>	
Total Justice and Public Safety	2,202,126,719
2,222,577,477	
General Government	
Administration	73,702,894
73,489,302	
State Auditor	13,224,512
13,240,784	
Cultural Resources	72,819,260
74,215,832	
Cultural Resources – Roanoke Island	1,955,050
1,955,050	
General Assembly	57,661,786
59,371,264	
Governor's Office	6,113,531
6,119,712	
Insurance	31,644,853
31,707,037	
Insurance – Workers' Compensation Fund	2,000,000
2,000,000	
Lieutenant Governor	937,852
937,852	
Office of Administrative Hearings	3,967,455
3,980,290	
Revenue	84,920,596
85,013,566	

NC Housing Finance	14,608,417
14,608,417	
Secretary of State	11,110,720
11,184,594	
State Board of Elections	6,183,822
6,187,615	
State Budget and Management (OSBM)	6,593,846
6,597,294	
OSBM – Special Appropriations	5,273,000
4,273,000	
Office of State Controller	23,611,155
24,243,461	
State Treasurer	10,370,644
10,384,432	
State Treasurer – Retirement/Benefits	10,804,671
10,804,671	
Total General Government	437,504,064
440,314,173	

Education	
Public Schools	7,947,740,343
8,109,136,300	
Community Colleges	1,026,792,329
1,068,146,255	
University System	2,659,865,615
2,678,472,564	
UNC – Hospital	36,011,882
36,011,882	
UNC – GA Passthrough	162,440,759
214,213,885	
Total Education	11,832,850,928
12,105,980,886	

Total Budget	20,226,179,655
20,773,548,540	

Debt Service	
General Debt Service	662,994,697
735,878,445	
Federal Reimbursement	1,616,380
1,616,380	
Total Debt Service	664,611,077
737,494,825	

Reserves & Adjustments	
Contingency and Emergency Reserve	5,000,000
5,000,000	
Teacher Salary Schedule Employee's Reserve	64,726,385
56,051,665	
Administrative Support Reduction Statewide Reserve	(3,000,000)
(4,000,000)	
Retirement System	21,000,000
21,000,000	
Freeze Longevity Payments Reserve	(173,000,000)
(177,800,000)	

Economic and Recovery Section Reserve	1,277,682
1,062,872	
Health Plan Reserve	125,000,000
228,000,000	
Job Development Investment Grants	27,400,000
27,400,000	
Budget E-Procurement Receipts	-0-
(10,000,000)	
Health Plan Reserve Reduction-Employee's Opting Out	(25,000,000)
(25,000,000)	
2010 Census Local Promotion Reserve	
750,000	-0-
Performance Management System Reserve	3,250,000
1,000,000	
Transparency and Accountability Reserve	500,000
500,000	
IT Initiative	14,821,416
14,821,416	
Total Reserves & Adjustments	62,725,483
138,035,953	

Capital	
Capital	Improvements
27,600,000	-0-
Total	Capital
27,600,000	-0-

Total General Fund Budget	\$20,981,116,215
\$21,649,079,318	

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2. Provides the General Fund availability for 2009-2011 as follows:

2010-2011	FY 2009-2010	FY
Description	(In Millions)	(In Millions)
Beginning Availability		
Unappropriated Balance from Prior Fiscal Year		
-	-	-
Credit Balance FY 2008-2009 (Reversions & Overcollections)		
-	-	-
Credit to Savings Reserve Account		
-	-	-
Credit to Repairs and Renovations Reserve Account		
-	-	-
Beginning Unreserved Credit Balance		
-	-	-

Revenues

Tax:	
Individual Income Tax	10,385,100,000
10,962,100,000	
Corporate Income Tax	772,000,000
823,700,000	

Sales and Use	5,038,400,000
5,400,300,000	
Other Tax	<u>1,835,000,000</u>
<u>1,886,700,000</u>	
Total Tax	18,030,500,000
19,072,800,000	
Nontax/Transfers	<u>831,000,000</u>
<u>831,300,000</u>	
Total Revenue	18,861,500,000
19,904,100,000	

Revenue Changes

Tobacco (\$1.00 cigarette, \$1.35 total; 18% other)	342,900,000
457,100,000	
Alcohol (5% tax surcharge)	157,500,000
210,000,000	
Improved Enforcement	50,000,000
75,000,000	
Adjust Fees	27,439,810
30,553,080	
Disproportionate Share Allocation	
24,994,954	-
Small Business Tax Relief	(12,000,000)
(24,000,000)	
Caregiver's Tax Credit	-
(800,000)	
Founder's Credit	
-	-
WaterSense Holiday	
-	-
Miscellaneous IRC Conformities	<u>(10,400,000)</u>
<u>(20,100,000)</u>	
Subtotal Revenue Changes	580,434,764
706,753,080	

Federal Recovery Funds

FMAP Assistance	1,003,677,475
500,711,010	
Fiscal Stabilization-Education	580,966,000
580,966,000	
Fiscal Stabilization-General Purpose	<u>129,261,500</u>
<u>129,261,500</u>	
Subtotal Federal Recovery Funds	1,713,904,975
1,210,938,510	

Total Availability	21,155,839,739
21,821,791,590	

Less: Total General Fund Appropriations	20,981,116,215
21,649,079,318	

Transfer Funds to Fiscal Responsibility Reserve	
174,723,525	-

Unappropriated Balance Remaining	-
\$172,712,272	

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, and for other purposes, for the biennium ending June 30, 2011:

Current Operations – Highway Fund 2010-2011	FY 2009-2010	FY
DOT – General Administration	\$ 80,810,522	\$
81,897,273		
Highway Division Administration	32,938,983	
32,993,177		
State Match for Federal Aid-Planning and Research	4,055,402	
4,055,402		
Construction		
Program:		
State Secondary System	87,071,264	
86,200,551		
Division Small Urban Construction	19,530,000	
19,530,000		
Discretionary Funds	13,950,000	
13,950,000		
Spot Safety Improvements	9,100,000	
9,100,000		
Access and Public Services Roads	1,860,000	
<u>1,860,000</u>		
Total Construction Program	131,511,264	
130,640,551		
Maintenance		
Program		
Primary System	187,750,224	
179,888,263		
Secondary System	269,718,619	
261,856,658		
System Preservation	71,534,008	
63,435,877		
Contract Resurfacing	250,826,777	
242,964,816		
General Maintenance Reserve	39,518,978	
<u>39,518,978</u>		
Total Maintenance Program	819,348,606	
787,664,592		
Ferry Operations	30,206,209	
30,110,209		
State Aid to Municipalities	87,071,264	
86,200,551		
State Aid to Railroads	17,101,153	
17,101,153		
State Aid for Public Transportation	71,595,962	
71,631,962		
Airports	17,349,592	
17,291,543		

OSHA	355,389	
355,389		
Governor's Highway Safety Program	351,779	
352,325		
Division of Motor Vehicles	<u>101,732,813</u>	
<u>101,747,629</u>		
Total Department of Transportation	\$ 1,394,428,938	\$
1,362,041,756		

Appropriations	to	Other	State
Agencies:			
Agriculture		4,972,215	
4,965,929			
Revenue		6,238,753	
6,244,609			
State Treasurer		17,557,170	
17,504,498			
Office of State Controller-BEST Shared Services		444,037	
444,037			
Public Instruction – Civil Penalties		22,000,000	
22,000,000			
Public Instruction – Driver Education		33,959,859	
33,321,964			
CCPS – Highway Patrol		198,351,279	
201,164,792			
DENR – LUST Trust Fund		2,500,123	
2,550,553			
DHHS – Chemical Test		<u>660,039</u>	
<u>660,039</u>			
Total – Other State Agencies		286,683,475	
288,856,421			

Reserves		and
Transfers:		
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 Health Insurance Adjustment	3,920,922	
9,320,922		
Employer's Contribution to Retirement	1,000,000	
1,000,000		
Reserve for Longevity Payments	(2,833,335)	
(3,059,099)		
Reserve for Administrative Reduction	<u>(2,500,000)</u>	
<u>(2,500,000)</u>		
Total Reserves and Transfers	2,387,587	
7,561,823		

Total Highway Fund Appropriation	\$1,683,500,000
\$1,658,460,000	

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability is as follows:

Highway Fund Availability Statement	2009-2010
2010-2011	
Beginning Credit Balance	-
Estimated Revenue	1,683,500,000
1,658,460,000	
Estimated Reversions	-
Total Highway Fund Availability	\$ 1,683,500,000 \$
1,658,460,000	

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the Highway Trust Fund are made for the biennium ending June 30, 2011, as follows:

Highway Trust Fund	2009-2010
2010-2011	
Department of Transportation:	of
Maximum Allowance for Administration	\$41,092,320
\$42,373,920	
Construction Allocation:	
Intrastate System	352,674,316
369,455,555	
Urban Loop System	110,759,502
118,440,179	
Secondary Roads	57,777,091
60,531,355	
State Aid to Municipalities	39,893,942
41,549,515	
Bonds:	
Bond Redemption	54,065,000
54,030,000	
Bond Interest	28,666,000
25,962,750	
NC Turnpike Authority	64,000,000
99,000,000	
Transfer to the General Fund	<u>108,561,829</u>
<u>72,846,726</u>	

Total Highway Trust Fund Appropriations	\$857,490,000
\$884,190,000	

HIGHWAY TRUST FUND AVAILABILITY STATEMENT

SECTION 4.2. The Highway Trust Fund availability used in developing the 2009-2011 biennial budget is shown below:

Highway Trust Fund Availability Statement			2009-2010	2010-2011
Beginning	Credit	Balance		-
	-			
Estimated	Revenue		857,490,000	
884,190,000				
Estimated		Reversions		
-	-			
Total Highway Trust Fund Availability			\$857,490,000	
\$884,190,000				

PART V. OTHER AVAILABILITY AND APPROPRIATIONS

CIVIL FORFEITURE FUNDS

SECTION 5.1. Makes the following appropriations from the Civil Penalty and Forfeiture Fund for the fiscal biennium ending June 30, 2011:

	FY 2009-2010	FY 2010-2011
School Technology Fund	36,183,251	
18,000,000		
State Public School Fund		120,362,790
120,362,790		
Total Appropriation	156,546,041	
138,362,790		

SECTION 5.2. Requires all of the University of North Carolina campuses to remit all parking fines held in escrow in the amount of \$18,183,251 to the Civil Penalties and Forfeitures Fund for appropriation.

SECTION 5.3. Encourages local school administrative units to use these funds to implement 21st century classrooms.

EDUCATION LOTTERY

SECTION 5.4.(a.) Provides that the revenue used to support appropriations made in this act is transferred from the State Lottery Fund in the amount of \$368,070,207 for the 2009-10 fiscal year.

SECTION 5.4.(b). Makes the following appropriations from the Education Lottery Fund pursuant to GS 18C-164(d) for the 2009-10 fiscal year as follows:

Class Size Reduction	99,582,223
Prekindergarten Program	84,452,881
Public School Building Capital Fund	147,228,083
Scholarships for Needy Students	<u>36,807,021</u>
Total Appropriation	\$368,070,208

PART VI. GENERAL PROVISIONS

APPROPRIATION OF CASH BALANCES AND RECEIPTS

SECTION 6.1. 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 are appropriated and authorized for the 2009-11 fiscal biennium as follows:

For all budget codes listed in "North Carolina State Budget, Recommended Operating Budget 2009-11, Volumes 1 through 6," cash balances and receipts are appropriated up to the amounts specified in Volumes 1 through 6, as adjusted by the General Assembly, for the 2009-10 fiscal year and the 2010-11 fiscal year. Funds may be expended only for the programs, purposes, objects, and line items specified in Volumes 1 through 6, or otherwise authorized by the General Assembly.

For all budget codes that are not listed in "North Carolina State Budget, Recommended Operating Budget 2009-11, Volumes 1 through 6," cash balances and receipts are appropriated for each year of the 2009-11 fiscal biennium up to the level of actual expenditures for the 2008-09 fiscal year, unless otherwise provided by law. Funds may be expended only for the programs, purposes, objects, and line items authorized for the 2008-09 fiscal year.

Any receipts that are required to be used to pay debt service requirements for various outstanding bond issues and certificates of participation are appropriated up to the actual amounts received for the 2009-10 fiscal year and the 2010-11 fiscal year and shall be used only to pay debt service requirements.

Cash balances and receipts of funds that meet the definition issued by the Governmental Accounting Standards Board of a trust or agency fund are appropriated for and in the amounts required to meet the legal requirements of the trust agreement for the 2009-10 fiscal year and the 2010-11 fiscal year.

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

BULK IT PURCHASING FOR UNIVERSITIES

SECTION 6.2. Requires the UNC General Administration, with assistance from the Office of Information Technology Services and the Office of State Budget and Management, to consolidate information technology infrastructure purchasing. Allows the General Administration to choose to utilize the Office of Information Technology Services' existing bulk contracts. Prohibits information technology infrastructure expenditure from being authorized without complying with this section.

CONSOLIDATING STATEWIDE NETWORKS

SECTION 6.3. Requires the Office of Information Technology Services, MCNC, and the Office of State Budget and Management to develop a viable plan for the consolidation/migration of NCREN and the Office of Information Technology Services' State backbone by January 31, 2010, to the Governor for implementation in fiscal year 2010-11. Provides that rates will decrease as a result of this migration. Requires the funds to be taken from the agencies' and universities' budgets on a pro rata basis based on usage for fiscal year 2010-11.

REPEAL REQUIREMENT FOR MAILING LIST CERTIFICATIONS

SECTION 6.3A. Repeals GS 143-169.1 (State agency public document mailing lists to be updated).

INSURANCE AND FIDELITY BONDS

SECTION 6.4. Requires all insurance and all official fidelity and surety bonds authorized for the several departments, institutions, and agencies to be effected and placed by the Department of Insurance, with the cost of placement paid by the affected department, institution, or agency with the approval of the Commissioner of Insurance.

EXPENDITURES OF FUNDS IN RESERVES LIMITED

SECTION 6.5. Provides that all funds appropriated by this act into reserves may be expended only for the purposes for which the reserves were established.

BUDGET CODE CONSOLIDATIONS

SECTION 6.6. Notwithstanding GS 143C-6-4, allows the Office of State Budget and Management (OSBM) to adjust the enacted budget by making transfers among purposes or programs for the purpose of consolidating budget and fund codes or eliminating inactive budget and fund codes. Requires OSBM to change the authorized budget to reflect these adjustments.

BEACON ACCOUNTABILITY

SECTION 6.7. Requires the Office of the State Controller (OSC), in consultation with the Office of the State CIO and OSBM to conduct a study comparing the operations of the BEACON system against private sector metrics for payroll and human resource systems. Requires these benchmarks to be based on industry standards.

Requires OSC to report quarterly, beginning September 30, 2009, to the Governor's Office and the General Assembly using the agreed-upon metrics in at least the following categories: (1) System risk; (2) Data integrity; (3) Customer service; (4) Service time; (5) FTE and budget as compared to employees served; (6) Reporting; and (7) Cost.

Repeal REQUIREMENT FOR MAILING LIST CERTIFICATIONS

SECTION 6.8. Repeals GS 143-169.1 (State agency public document mailing lists to be updated).

OFFICE OF INFORMATION TECHNOLOGY SERVICES BUDGET REVIEW

SECTION 6.9. Amends GS 147-33.88(a) to require the Office of Information Technology Services to develop an annual budget for review and approval by OSBM in accordance with GS 143C-3-3 (was, before April 1 of each year).

BUDGET REALIGNMENT

SECTION 6.10. Notwithstanding GS 143C-6-4(b), allow OSBM to adjust the enacted budget by making transfers among purposes or programs for the sole purpose of correctly aligning authorized positions and associated operating costs with the appropriate purposes or programs as defined in GS 143C-1-1(d)(23). Requires OSBM to change the certified budget to reflect these adjustments only after reporting the proposed adjustments to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Provides that under no circumstances shall total General Fund expenditures for a state department exceed the amount appropriated to that department from the General Fund for the fiscal year.

TRUTH-IN-BUDGETING REFORM

SECTION 6.11. Amends GS 143C-6-4 to provide that a state agency may, with approval of the Director of the Budget, spend more than was authorized in the certified budget for (1) an object or line item within a department (was, purpose or program) so long as the total amount expended for the department (was, purpose or program) is no more than was authorized in the certified budget for the department (was, purpose or program); (2) a purpose or program not subject to the provisions of subdivision (b)(2) of the statute, but only in accord with specified restrictions, including that under no circumstances shall the total requirements for a State department exceed the department's certified budget for the fiscal year by more than 10% (was, 3%) without prior consultation with the Joint Legislative Commission on Governmental Operations (also removes the restriction that the overexpenditure is authorized on a nonrecurring basis).

FISCAL RESPONSIBILITY RESERVE

SECTION 6.12. Requires the unobligated balance of the General Fund at the end of fiscal year 2009-10 to be deposited in a reserve fund dedicated to maximizing federal recovery receipts, including those available through the American Recovery and Reinvestment Act of 2009 (ARRA), and filling any deficit created by anticipated federal recovery receipts that do not materialize. Requires OSBM to administer the fund in consultation with the Joint Legislative Commission on Governmental Operations. Authorizes expenditures from the fund in fiscal year 2010-11 for: (1) required State matching funds for federal discretionary grants that create jobs or foster economic development; (2) required State matching funds for federal discretionary grants

included in the ARRA or any other federal recovery law or activity; (3) offsetting any unexpected deficit due to receiving less recovery funding than anticipated from mandatory grants included in the ARRA; and (4) implementing State government efficiency plans approved by the Governor and the Joint Legislative Commission on Governmental Operations.

PART VII. PUBLIC SCHOOLS

CHILDREN WITH DISABILITIES

SECTION 7.1. Requires that the State Board of Education (SBE) allocate funds for children with disabilities on the basis of \$3,500.77 per child for a maximum of 173,249 children for the 2009-10 school year. Directs that each local school administrative unit (LEA) is to receive funds for children with disabilities based on whichever is the lesser number: (1) all students who are identified as children with disabilities or (2) 12.5% of the average daily membership (ADM) for the LEA. Provides that the dollar amounts allocated under this section for children with disabilities are to adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.2. Requires that the SBE allocate funds for academically or intellectually gifted children (AG) on the basis of \$1,163.07 per child. Provides that an LEA receive funds for a maximum of 4% of its 2009-10 allocated ADM regardless of the number of children identified as AG in an LEA. Caps the number of children statewide for whom the SBE may allocate AG funds at 58,597. Provides that the dollar amounts allocated under this section for academically or intellectually gifted children are to adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

ABCS OF PUBLIC EDUCATION

SECTION 7.3. Despite the provisions of GS 115C-105.36 providing for performance recognition ABCs bonuses for school personnel, directs the SBE to place a one-year moratorium on financial bonuses based on student academic performance in 2008-09 and paid to school personnel in the 2009-10 fiscal year. Also directs the SBE to develop a plan to restructure the ABCs Accountability System and report the restructuring plan to the Governor and General Assembly no later than January 31, 2010.

NORTH CAROLINA VIRTUAL PUBLIC SCHOOLS

SECTION 7.4. Directs that the NC Virtual Public School (NCVPS) program report to the SBE and maintain an administrative office at the Department of Public Instruction (DPI). Directs the NCVPS Director to continue to ensure course quality standards and to ensure that all e-learning opportunities offered by state-funded entities to public school students are consolidated under the NCVPS program, eliminating course duplication. Also instructs the Director: (1) to prioritize e-learning course offerings for students residing in rural and low-wealth county local units, in order to expand available instructional opportunities and (2) to ensure that the first e-learning instructional opportunities to become available include courses required as part of the standard course of study for high school graduation and AP offerings not otherwise available. Provides that the NCVPS program is available to all students enrolled in North Carolina's public schools, Department of Defense schools, and schools that are operated by the Bureau of Indian Affairs. Directs DPI to communicate to LEAs all applicable guidelines regarding the enrollment of nonpublic school students in these courses.

Directs the SBE to implement an allotment formula developed pursuant to Section 16(d) of SL 2006-66 for funding e-learning, effective in the 2010-11 fiscal year. Also directs the SBE to project the funds that are needed to operate the NCVPS program for fiscal year 2009-10. Directs the SBE to utilize funding sources in the following order to ensure that funds are available: (1) available American Recovery and Reinvestment Act funds and (2) up to \$6 million from the School Technology appropriation. Provides that if additional funds are needed, the State Board of Education may use funds from the State Public School Fund to implement NCVPS courses.

LEARN AND EARN ONLINE

SECTION 7.5. 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 (UNC) and the NC Community College System (CCS), be used for specified expenditures. Provides guidelines governing the allocation and receipt of funds. Provides that funds appropriated for Learn and Earn Online that are unexpended or unencumbered at the end of each fiscal year do not revert but remain available for expenditure. Also provides that funds be used to support a liaison position, located at DPI, to coordinate with UNC and CCS, and to communicate course availability and related information to high school administrators, teachers, and counselors. Provides that the SBE will determine the allocation of the online course offerings across the state and allot funds for tuition, fees, and textbooks after verification of the credit hour enrollment of high school students in Learn and Earn Online courses.

Directs the UNC program to report to the UNC Board of Governors the CCS program to report to the NC community College Board of Trustees and DPI to report to the SBE.

Directs UNC and the CCS to provide oversight and coordination, including coordination with the Department of Public Instruction and with the North Carolina Virtual Public School (NCVPS) to avoid course duplication.

Requires the SBE, UNC, and the CCS to report on the proposed operating plan for 2009-10 to the Joint Legislative Education Oversight Committee (Ed Oversight), the Office of State Budget and Management (OSBM), and the Fiscal Research Division (FRD) no later than September 1, 2009.

Effective June 30, 2009.

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 (local boards) 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 annual reporting of the how funds were used and targeted by the local boards to the SBE, and by the SBE to Ed Oversight, OSBM, and the FRD 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 Ed Oversight prior to May 1, 2010, 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. Provides definitions of terms as used in this section.

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.7. Provides supplemental funding for each county school administrative unit (unit) (1) with an average daily membership (ADM) of fewer than 3,175 students or (2) 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 a local board of education (local board) 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 local boards to report annually to the SBE about use of funds for this purpose and directs the SBE to report this information to Ed Oversight. 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 Ed Oversight by May 1, 2010, identifying those counties. Specifies that the funding formula in this section is not intended to reflect any commitment by the General Assembly to appropriate additional supplemental funds for small school systems and if funds are not adequate to fully fund the formula, funds will be distributed on a pro rata basis. Provides definitions of terms as used in this section.

DISADVANTAGED STUDENT SUPPLEMENTAL FUNDING

SECTION 7.8. Specifies that Disadvantaged Student Supplemental Funds (DSSF) are appropriated to address the capacity of local education agencies (LEAs), (also known as local school administrative units), 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 an 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. 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 2006-07.

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 up to \$200,000 of the funds in the Alternative Schools/At Risk Student allotment each year for the 2009-10 and 2010-11 fiscal years 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.

SCHOOL CONNECTIVITY INITIATIVE

SECTION 7.11. Authorizes a transfer of up to \$300,000 to the Office of the Governor for NC Virtual (NCV) within the Education Cabinet. Specifies that the funds may be used for services to coordinate e-learning activities across all State educational agencies. Provides that \$250,000 of the funds allocated for the School Connectivity Initiative may be used to sustain the Education E-Learning Portal. Also provides that the funds allocated to the School Connectivity Initiative are to carry forward to the next fiscal year until the project is fully implemented by June 30, 2010.

LITIGATION RESERVE FUNDS

SECTION 7.12. Authorizes the SBE to expend \$500,000 each year for 2009-10 and 2010-11 from unexpended salary funds for litigation expenses.

REPLACEMENT SCHOOL BUSES FUNDS

SECTION 7.13. 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 7.14. 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 EVALUATION

SECTION 7.15. Authorizes the SBE to spend up to \$50,000 a year from the State Aid to Local School Administrative Units for the 2009-10 and 2010-11 fiscal years to evaluate charter schools. Directs the SBE to particularly consider the extent to which charter schools have accomplished the following six objectives, which are set out in GS 115C-238.29A: (1) improve student learning; (2) increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are identified as at risk of academic failure or academically gifted; (3) encourage the use of different and innovative teaching methods; (4) create new professional opportunities for teachers, including the opportunities to be responsible for the learning program at the school site; (5) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; and (6) hold the schools established under this Part accountable for meeting measurable student achievement results and provide the schools with a method to change from rule-based to performance-based accountability systems.

Requires the SBE to report the results of its evaluation to Ed Oversight and the FRD.

MENTOR TEACHER FUNDS

SECTION 7.16. Directs the SBE to allot funds for mentoring services to local school administrative units based on the highest number of employees in the preceding three school years who (1) are paid with state, federal, or local funds and (2) are either teachers paid on the first or second steps of the teacher salary schedule or instructional support personnel paid on the first step of the instructional support personnel salary schedule.

Allows the SBE to grant flexibility to local school boards 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 a local school board to submit a mentor plan to the SBE for approval and directs local boards with approved mentor plans to report to the SBE on the impact of the mentor plan on teacher retention. Requires the SBE to analyze the reports from the local boards to determine the characteristics of the mentor programs that are most effective in retaining teachers and to report its findings to Ed Oversight by October 15 of each year of the biennium. Also directs the SBE to evaluate and report the effectiveness of a representative sample of local mentor programs to Ed Oversight and the FRD by December 15 of each year of the biennium.

LEARN AND EARN HIGH SCHOOLS

SECTION 7.17. 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. Directs the SBE to work closely with the Education Cabinet and the New Schools Project in administering the program.

Prohibits funds from be allotted until Learn and Earn high schools are certified as operational. Provides that during the first year of its operation, a high school established under GS 115C-238.50 (regarding cooperative, innovative high school programs) must be allotted a principal regardless of the number of state-paid teachers assigned to the school or the number of

students enrolled in the school. Also provides that budget flexibility authorized by GS 115C-105.25 does not apply to these positions.

Requires the SBE, in consultation with the State Board of Community Colleges and the UNC Board of Governors, to conduct an annual evaluation of this program that includes: (1) measures as identified in GS 115C-238.55; (2) an accounting of how funds and personnel resources were utilized and their impact on student achievement, retention, and employability; (3) recommended statutory and policy changes; and (4) recommendations for improvement of the program. Directs the SBE to report the results of this evaluation to the OSBM, Ed Oversight, and the FRD by January 15 of each fiscal year.

Provides criteria for permissible and impermissible uses of funds.

MORE AT FOUR PROGRAM AND OFFICE OF SCHOOL READINESS

SECTION 7.18.(a). 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 (DHHS), to implement a plan to expand the MAF program by identifying existing programs that meet the MAF standards. Also directs DPI and DHHS to consider the reallocation of existing funds from state and local programs that provide prekindergarten-related care and services.

Requires the *More at Four* program to establish income eligibility requirements for the 2009-11 fiscal biennium that do not exceed 75% of the state median income. Provides that up to 20% of the children who are enrolled may have a family income in excess of 75% of the median income if the children have other risk factors.

Requires the program to include a system of accountability that includes a yearly review. Directs DPI to contract with an independent research organization to produce an annual report to include (1) a longitudinal review of the program and academic, behavioral, and other child-specific outcomes and (2) a quasi-experimental research design of a representative sample of children who complete the MAF program every year. Also requires the research organization to report on the sustained progress of the representative sample until the end of grade 9. Additionally requires the review to study a representative sample of children who do not enter the More at Four program but who are of the same grade level and demographic as those who complete the program and their sustained progress until the end of grade 9. Directs that the review be presented to Ed Oversight by January 31 of every year.

Requires DPI to submit a report by February 1, 2010, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Education, the House of Representatives Appropriations Subcommittee on Education, and the Fiscal Research Division on MAF's status including costs, number of children served, and expenditures.

Directs that MAF program funding is not to supplant any funding for classrooms serving four-year-olds as of the 2005-06 fiscal year. Provides that the support of existing four-year-old classrooms with More at Four program funding is to be permitted when current funding is eliminated, reduced, or redirected as required to meet other specified federal or state educational mandates.

Provides that if a county is unable to increase MAF slots because of a documented lack of available resources necessary to provide the required local contribution for the additional slots allocated to the county for the 2009-10 fiscal year or the 2010-11 fiscal year, the contract agency for that county may appeal to the Office of School Readiness for an exception to the required local amount for those additional slots. Permits the Office of School Readiness to grant an exception and allot funds to pay up to 90% of the full cost of the additional slots for that county if it finds that (1) there is in fact a documented lack of available resources in the county and (2) granting the exception will not reduce access statewide to More at Four slots.

DROPOUT PREVENTION GRANTS

SECTION 7.19. Directs the Committee on Dropout Prevention (Committee), as reestablished in Section 7.14 of SL 2008-107 to select grant recipients as follows: (1) establish a cutoff score using the process for the review of grant applications in 2007 and award grants to applicants that meet the cutoff score; (2) establish a process to award additional funds to the recipients of grants

awarded under SL 2008-107; and (3) select new grant award recipients who have not previously applied for funding using the process outlined in Section 7.32(d) of SL 2007-323 and consistent with subsection (b) of this section (providing criteria for dropout prevention grants).

Requires that a priority for grants be given to programs serving students in LEAs with a four-year cohort graduation rate of less than 65% and that are in counties that did not receive funding under SL 2007-323. Directs that grants are to be made no later than November 1, 2009. Provides additional criteria for selecting grant recipients.

Requires the recipients of dropout prevention grants to make reports to the Committee by January 31, 2011, and September 30, 2011. Directs the Committee to make an interim report of the results of its evaluation of the grants awarded under SL 2007-323 by March 31, 2011, and a final report by November 15, 2011, to the Joint Legislative Commission on Dropout Prevention and High School Graduation and Ed Oversight.

Provides that \$6,543,060 of the funds appropriated in this act for the Committee for the 2009-10 and 2010-11 fiscal years is to be used to award new grants, as well as additional grants to previous grant recipients. Directs that the funds appropriated for the dropout prevention grants for the 2009-10 fiscal year do not revert but remain available for expenditure until August 31, 2011. Provides that \$100,000 of the funds appropriated for the dropout prevention grants for the 2009-10 and 2010-11 fiscal years may be used to issue a request for proposals from qualified vendors on a competitive basis to contract as a consultant to assist with the evaluation. Provides that DPI may use up to fifty thousand dollars (\$50,000) of the funds awarded to dropout prevention in fiscal years 2009-10 and 2010-11 for its administrative assistance to the Committee and to provide technical assistance under this section.

LEA FLEXIBILITY REDUCTION

SECTION 7.20. Authorizes the SBE to implement temporary modifications to flexibility requirements outlined in GS 115C-105.25. Directs local school administrators to make every effort for fiscal years 2009-10 and 2010-11 to reduce spending whenever and wherever such budget reductions are appropriate as long as the targeted reductions do not directly impact classroom services or any services for students at risk of academic failure or children with special needs.

Requires the SBE, within 14 days of the date this act becomes law, to notify each local school administrative unit (LEA) and each charter school of the amount the LEA and charter school must reduce from its State General Fund appropriations. Directs the SBE to calculate the amount of this budget flexibility reduction for each LEA or charter school on the basis of average daily membership.

Directs each LEA and each charter school to report to the Department of Public Instruction on the flexibility budget reductions it has identified for the LEA or charter school within 30 days of the date this act becomes law.

Requires the SBE to make a summary report to Ed Oversight, the OSBM, and the FRD on all reductions made by the LEAs and charter schools, including an explanation as to the need for the modification to achieve this reduction by December 15, 2009, and annually thereafter.

RESTRUCTURE THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.21. Directs the SBE to develop and report to the Governor by December 31, 2009, a plan to restructure DPI. Provides that DPI may reorganize in accordance with the plan adopted by the SBE. Requires DPI to report on the reorganization to the Joint Legislative Commission on Governmental Operations. Sets this section to expire June 30, 2010.

SCHOOL TECHNOLOGY PILOT

SECTION 7.22. Provides that funds appropriated for the School Technology Pilot that are unexpended or unencumbered at the end of the 2008-09 fiscal year do not revert but remain available for expenditure through June 30, 2010. Effective June 30, 2009.

BUSINESS EDUCATION TECHNOLOGY ALLIANCE

SECTION 7.23. Repeals GS 115C-102.15, which created the SBE's Business and Technology Alliance. Effective June 30, 2009.

CRITICAL FOREIGN LANGUAGE PILOT FUNDS DO NOT REVERT

SECTION 7.24. Provides that the funds appropriated for the Critical Foreign Language Pilot that are not expended or encumbered do not revert but remain available for expenditure through June 30, 2010. Effective June 30, 2009.

ASSESSMENT AND ACCOUNTABILITY

SECTION 7.25. Authorizes the use of funds appropriated in this act to develop new End of Course (EOC) and End of Grade (EOG) tests, or national assessments as determined by the State Board of Education. Directs the SBE to eliminate unnecessary or duplicative tests and to investigate replacing existing EOC and EOG tests with national assessments.

Directs the SBE to use, in fiscal year 2009-10, funds appropriated in this act, to investigate and pilot a developmentally appropriate diagnostic assessment for students in elementary grades in 2009-10 that will enable teachers to individualize instruction to meet student learning needs and ensure adequate preparation for the next level of coursework as set out by the Standard Course of Study. Requires the SBE to report the results of the pilot to Ed Oversight, the FRD, and the OSBM by December 1, 2010. Provides that the funds appropriated for Assessment and Accountability that remain unexpended and unencumbered at the end of fiscal year 2009-10 do not revert but remain available for expenditure through June 30, 2011.

DEVELOPMENT OF A PreK-20 DATA SYSTEM

SECTION 7.26. Directs DPI, UNC, and the CCS to work collaboratively to develop a centralized student data collection (PreK-20) to centralize the data collected about students enrolled in prekindergarten programs through doctoral programs. Directs that the PreK-20 data system is to build upon the current capacity, programs, and initiatives of DPI, the CCS, and UNC.

Provides that the PreK-20 data standards and specifications are to include: (1) the types and forms of data to be included in a PreK-20 data system, including longitudinal data and the use of a unique student identifier; (2) the capacity of a shared PreK-20 data system; (3) the degree and extent of cooperation between a shared PreK-20 data system and the current data collection systems of the Department of Public Instruction, the North Carolina Community College System, and the University of North Carolina; (4) the minimum capacity and technical specifications needed for each data system to feed into a shared PreK-20 data system; and (5) the ability for data in a shared PreK-20 data system to be understood and used by interested stakeholders, including federal and other North Carolina State agencies.

Directs that the standards and specifications are to conform to the guidelines and instructions governing any funds received through the American Recovery and Reinvestment Act of 2009 for this purpose. Requires the standards and specifications to be submitted to the Education Cabinet no later than January 1, 2010. Directs the Education Cabinet to review and approve these standards and submit them to Ed Oversight, the FRD, and the OSBM by March 1, 2010.

PROGRAM ON PREVENTION OF ABUSE AND NEGLECT

SECTION 7.27. Transfers the *Children's Trust Fund*, a program on the prevention of abuse and neglect, from DPI to the Division of Social Services in DHHS. Makes conforming changes to GS 7B-1301 and GS 7B-1302.

ELIMINATE CERTAIN TESTS

SECTION 7.28. Requires the SBE to identify and eliminate unnecessary or duplicative tests that are not required: (1) for high school graduation or (2) by the federal government to determine Adequate Yearly Progress (AYP) under No Child Left Behind (NCLB). Directs the SBE to report on those tests selected for elimination to the Governor and the General Assembly by September 30, 2009.

21ST CENTURY CAREER PAY PLAN FOR TEACHERS

SECTION 7.29. Directs the North Carolina Professional Teaching Standards Commission (NCPTSC) to develop a plan to restructure the North Carolina Teacher Salary Schedule. Encourages the NCPTSC to seek partnerships with other state and national public and private groups in designing the new compensation system. Directs the NCPTSC to report on the plan to the SBE, Ed Oversight, and the Governor no later than January 31, 2010. Directs the NCPTSC to consider the following factors in developing the restructured salary system:

- (1) Designing a schedule that emphasizes increasing beginning teacher salary to make the starting salaries more competitive to attract recent graduates and promote teacher retention.
- (2) Aligning with the newly adopted North Carolina Professional Teaching Standards.
- (3) Rewarding expert, accomplished teachers for taking on challenging assignments such as working in high-poverty, low-performing schools.
- (4) Providing incentives for becoming licensed in high-needs subject areas such as math and science and teaching in high-needs areas of the State.
- (5) Considering research and data that supports improved teaching and learning.
- (6) Providing optional pathways for salary increases that focus on strategies such as National Board Certified Teachers, literacy coach endorsement, and other options that lead to improved student learning.

QUALITY TEACHING AND LEARNING TIME

SECTION 7.30. Requires the SBE to provide guidance to local boards of education and individual schools on maximizing and improving the quality and amount of time spent on teaching and learning during, but not limited to, the instructional day. Directs the SBE to include in this guidance how reform initiatives such as the North Carolina Virtual Public School, Learn and Earn Online, Cooperative Innovative High Schools, and Professional Learning Communities provide options for continuous learning that leads to academic success and promotes seamless PreK-20 learning.

PART VIII. COMMUNITY COLLEGES

USE OF FUNDS FOR THE COLLEGE INFORMATION SYSTEM

SECTION 8.1.(a). Provides that funds appropriated to the Community Colleges System Office (CCSO) for the College Information System will not revert at the end of the 2008-09 fiscal year, but rather remain available until spent. Allows use of funds to buy periodic system upgrades.

SECTION 8.1.(b). Authorizes the CCSO to use appropriation for up to three new positions tasked with handling information technology and software upgrades to the College Information System. Requires CCSO to first have approval from the Office of State Budget and Management (OSBM), in consultation with the Office of Information Technology Services

FUNDS FOR CAMPUS SECURITY

SECTION 8.2. Authorizes community colleges to use up to 2% of noninstructional state funds allocated to it in the enrollment allotment of the institutional support allotment and up to 2% of the funds allocated through the regular equipment allotment for the 2009-10 fiscal year to supplement (not supplant) costs of campus security. This may include costs of personnel, as well as equipment-related expenditures.

USE OF BASIC SKILLS FUNDS

SECTION 8.3. Authorizes local community colleges to use up to 5% of the Literacy Funds allocated to it by the State Board of Community Colleges (SBCC) for instructional technology for literacy labs, including computers, scanners for testing, classroom projection equipment, and instructional software and software licenses.

FINANCIAL AID PROGRAM ADMINISTRATIVE COSTS

SECTION 8.4. Rewrites GS 115D-40.1 to add sentence allowing use of interest earned by financial assistance funds administered under that statute to be used to support administration costs of the Community College Grant Program.

CONSOLIDATE NURSING AND ALLIED HEALTH ALLOTMENTS

SECTION 8.5. Requires the SBCC to consolidate the Nursing categorical allotment into the Allied Health categorical allotment before distributing funds appropriated in this act. Provides that funds are to be awarded to community colleges based on the full-time equivalent (FTE) enrollment in allied health programs.

MODIFY MULTICAMPUS AND OFF-CAMPUS CENTER REPORT DATE

SECTION 8.6. Amends GS 115D-5 to change date of required report on use of funds for multicampuses and off-campus centers to December (was October) 1 of each year.

REPEAL REPORT ON THE USE OF COMMUNITY COLLEGE FACILITIES BY PRIVATE BUSINESSES

SECTION 8.8. Repeals GS 115D-5(q) as title indicates.

CRIMINAL JUSTICE COORDINATORS TRANSFERRED TO THE SYSTEM OFFICE

SECTION 8.9. Requires transfer of criminal justice regional coordinators and supporting staff at community colleges to the Community Colleges System Office, effective July 1, 2009.

EXPAND ELIGIBILITY TO USE PERFORMANCE FUNDING FOR MAINTENANCE OF PLANT EXPENDITURES

SECTION 8.10. Amends GS 115D-31.3(j)(2) (regulating use of performance funds for plant maintenance in low-wealth counties) to replace eligibility requirement that county have at least 2% unemployment rate with new requirement that county have an unemployment rate greater than the state average.

CUSTOMIZED TRAINING PROGRAM

SECTION 8.11.(a). Allows appropriations in this act for the Customized Training Program which remain available on June 30, 2010, to be carried forward into the 2010-11 fiscal year for equipment purchases. Requires approval of OSBM. Provides that any such funds are to be distributed through the Educational Equipment Reserve.

SECTION 8.11.(b). Requires funds appropriated for the Customized Training Program to be allocated first to those projects that create or retain jobs in North Carolina.

SECTION 8.11.(c). Amends GS 115D-5.1(f) to add topic to list of items about which SBCC is required to make annual report to Joint Legislative Education Oversight Committee. In reporting on the Customized Industry Training Program, the SBCC is required to provide information about the types of services sought by individual companies, whether for new, expanding, or existing industry.

CARRYFORWARD OF NORTH CAROLINA RESEARCH CAMPUS BIOTECHNOLOGY TRAINING FUNDS

SECTION 8.12.(a). Effective June 30, 2009, provides that funds appropriated in SL 2006-66, SL 2007-323, and SL 2008-103 for the Rowan-Cabarrus Community College Biotechnology Training Center and Greenhouse at the North Carolina Research Campus in Kannapolis do not revert but instead remain available until expended.

LEARN AND EARN ONLINE FUNDS

SECTION 8.13.(a). Effective June 30, 2009, allows funds reimbursed to the Community College System for full-time equivalent (FTE) students participating in learn and earn online courses during the 2008-09 fiscal year to remain available for up to 12 months after the close of a fiscal year.

SECTION 8.13.(b). Effective July 1, 2009, provides that community college student enrollments in Learn and Earn Online shall be considered regular budget full-time equivalent (FTE) in the curriculum enrollment formula regardless of the term during which the instruction is provided. Allows the NC Community College System to seek reimbursement from the Department of Public Instruction only for technology and course fees and textbooks required for course participation.

COMMUNITY COLLEGE FINANCIAL ASSISTANCE FUND BALANCE SHALL BE USED TO OFFER NEED-BASED AID AND ENSURE ACCESS TO DISPLACED WORKERS AND INDEPENDENT STUDENTS

SECTION 8.14. Requires the accumulated balance remaining in Budget Code 66801, Fund 6102 (CCS Financial Assistance) to be used in the 2009-10 fiscal year to offer need-based assistance to displaced workers and qualified students.

COMMUNITY COLLEGE APPRENTICESHIP TRAINING PROGRAM

SECTION 8.15.(a). Directs the Community Colleges System Office to establish an Apprenticeship Training Program (ATP) that maximizes the development of employer-sponsored flexible training programs. Directs the ATP to leverage existing community college economic development and workforce training programs.

SECTION 8.15.(b). Requires the ATP to include all NC apprenticeships currently licensed by the U.S. Department of Labor. Requires apprenticeships subsequently licensed to conform to the licensure requirements of the U.S. Department of Labor.

SECTION 8.15.(c). Specifies that if the ATP requires approval by the U.S. Department of Labor, additional apprenticeships may not be licensed until such approval is granted.

SECTION 8.15.(d). Requires the Community Colleges System Office to report by March 1, 2010, to the Joint Legislative Education Oversight Committee, the Fiscal Research Division, and the OSBM on the creation and implementation of the ATP.

STATE BOARD OF COMMUNITY COLLEGE MANAGEMENT FLEXIBILITY

SECTION 8.16.(a). Directs SBCC to allocate the discretionary budget reductions made in this act in accordance with this act and GS 115D-5(a).

SECTION 8.16.(b). Requires SBCC to notify each college of the amount of required reductions from state General Fund appropriations within 30 days of the effective date of this act. Directs the State Board to determine the amount of the reduction for each community college on the basis of FTE enrollment or another method that accounts for the unique needs of specific colleges.

SECTION 8.16.(c). Instructs colleges to reduce spending in manner that does not directly impact those services that are involved in training displaced workers and do not reduce Huskins or dual-enrollment course offerings offered in conjunction with College Promise. Requires each college to report to the SBCC on the discretionary budget reductions it has identified for the college within 60 days of the date this act becomes law.

SECTION 8.16.(d). Requires the SBCC to make a summary report by December 15, 2009, to the Joint Legislative Education Oversight Committee, the OSBM, and the Fiscal Research Division on all reductions, including the impact of reductions on services fulfilling a high-need area for the State.

SECTION 8.16.(e). Authorizes discretionary reductions identified in this act for the 2009-10 fiscal year to be allocated to community colleges on a nonrecurring basis. Requires the SBCC to determine by February 19, 2010, the necessary changes to categorical and formula allotments for permanent reductions beginning with the 2010-11 fiscal year.

MAINTENANCE OF PLANT FLEXIBILITY

SECTION 8.17. Authorizes a community college that received state funds in fiscal year 2008-09 for maintenance of a plant pursuant to GS 115D-31.2 to use noninstructional state funds allocated through the institutional support allotment for the 2009-11 biennium for maintenance of plant costs. Limits funds used in fiscal year 2009-10 for these purposes to the total maintenance of plant funds received in fiscal year 2008-09. Provides that total funds used for these purposes in

fiscal year 2010-11 may not exceed 50% of the amount of maintenance of plant funds received in fiscal year 2008-09 pursuant to GS 115-31.2.

PART IX. UNIVERSITIES

USE OF ESCHEAT FUND FOR NEED-BASED FINANCIAL AID PROGRAMS

SECTION 9.1.(a). Appropriates from the Escheat Fund income to the Board of Governors BOG of the University of North Carolina (UNC) \$123,641,040 for fiscal years 2009-10 and 2010-11, to the SBCC \$13,981,202 for 2009-10 and 2010-11, and to the Department of Administration, Division of Veterans Affairs, \$6,520,964 for fiscal years 2009-10 and 2010-11. Directs the State Educational Assistance Authority (SEAA) to allocate these funds for need-based student financial aid in accordance with GS 116B-7.

Authorizes use of Escheat Fund principal to make up shortfall in the event interest income generated from the Escheat Fund is less than the amounts referenced in this section, provided that principal will under no circumstances be reduced below the sum of \$300 million.

SECTION 9.1.(b). Directs the SEAA to administer this financial aid program. Requires the SEAA to periodically evaluate Scholarship Programs expenditures to determine if allocations are being used to ensure access to institutions of higher learning and to meet the goals of the respective programs. Authorizes the SEAA to make recommendations for redistribution of funds to the UNC Department of Administration and/or the President of the Community College System, who may in turn redistribute unutilized funds for a particular fiscal year.

SECTION 9.1.(c). Appropriates from the Escheat Fund to the BOG \$1,157,000 for 2009-10 and 2010-11 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. Provides that SEAA shall establish any additional criteria needed to award these scholarship loans, the conditions for forgiving the loans, and the collection of the loan repayments when necessary.

SECTION 9.1.(d). Specifies that already-established obligations to students for use of the funds as of the effective date of Section 9.1(a) are to be fulfilled so long as students remain eligible under the provisions of the respective programs.

THE EDUCATION ACCESS REWARDS NORTH CAROLINA SCHOLARS FUND (EARN)

SECTION 9.2.(a). Appropriates from the General Fund to the SEAA \$60 million for each of the 2009-10 and 2010-11 fiscal years, for academic years beginning on or after July 1, 2009.

SECTION 9.2.(b). Appropriates from the Escheat Fund to the SEAA \$40 million for each of the 2009-10 and 2010-11 fiscal years, for academic years beginning on or after July 1, 2009.

TRANSFERS OF CASH BALANCES TO THE GENERAL FUND

SECTION 9.3.(a). Directs the unencumbered cash balance remaining in the Future Teachers Financial Aid fund on June 30, 2009, to be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers).

SECTION 9.3.(b). Directs the unencumbered cash balance of the appropriation remaining in the Education Access Rewards North Carolina (EARN) Scholars fund on June 30, 2009, to be transferred to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers).

TRANSFER FUNDING TO ROANOKE ISLAND COMMISSION FOR ARTS

SECTION 9.4.(a). Directs the funds allocated for the Summer Institute of the NC School of the Arts on Roanoke Island program to be transferred from the UNC School of the Arts to the Roanoke Island Commission. Authorizes the Commission to use these funds to contract with any of the constituent institutions of UNC for the purpose of expanding opportunities for performing arts students. Effective July 1, 2009.

UNC CENTER FOR ALCOHOL STUDIES

SECTION 9.5. Because the endowment of the Center for Alcohol Studies at UNC at Chapel Hill has exceeded \$10 million, fulfilling GS 20-7(i1), provides fee assessed for this purpose will expire effective June 30, 2009.

HICKORY METRO HIGHER EDUCATION CENTER MERGER

SECTION 9.6. Provides that the Hickory Metro Higher Education Center is to be merged with the NC Center for Engineering and Technology, with resulting entity to be named the Hickory Metro Higher Education Center. Provides for administration of new Center by UNC (with Appalachian State University acting as fiscal agent for the Center). Provides that the new Center will be housed at the current location of the North Carolina Center for Engineering and Technology.

REPEAL FULL TUITION GRANT FOR GRADUATES OF NORTH CAROLINA SCHOOL OF SCIENCE AND MATH (NCSSM) WHO ATTEND A STATE UNIVERSITY.

SECTION 9.7.(a) Effective July 1, 2009, phases out tuition grants for NCSSM graduates. Prohibits funding of new recipients after June 30, 2009.

SECTION 9.7.(b) Rewrites GS 116-238.1(a) to limit tuition grants to residents graduating from NCSSM on or before January 16, 2009, and who enrolled in a UNC institution on or before January 31, 2009. Provides for repeal of this section on July 1, 2012.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

CHILD CARE SUBSIDY RATES

SECTION 10.1(a). Sets the maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services at 75% of the state median income, adjusted for family size.

SECTION 10.1(b). Sets share for families required to share costs at the following: family of 1-3, at 10% of gross family income; family of 4-5, at 9%, and family of 6 or more, at 8%.

SECTION 10.1(c). Sets requirements for the rates for payments for child care for low-income children.

SECTION 10.1(d). Sets payment rates for child care providers in counties that do not have at least 50 children in each age group for center-based and home-based care at the statewide or regional market rate, except that county rate may be applied if statewide or regional rate is lower and would inhibit county's ability to purchase child care for low-income children.

SECTION 10.1(e). Directs Division of Child Development to calculate state-wide, regional, and individual county market rates at each rated license level for each age group or category. Requires that rates represent fees charged to parents for each age group of enrollees within the county.

SECTION 10.1(f). Authorizes participation in program for purchase of child care for minor children of needy families by facilities licensed pursuant to GS 110, Article 7, and GS 110-106. Prohibits separate licensing requirements to select participants. Requires facilities to meet applicable federal requirements. Requires child care arrangements exempt from GS 110, Article 7, to comply with requirements established by other state laws and Social Services Commission. Prohibits county social services departments and other local contracting agencies from using provider's failure to comply with other requirements as a condition for reducing rate.

SECTION 10.1(g). Requires that payment for subsidized child care services provided with Work First Block Grant funds comply with Division of Child Development regulations and policies.

SECTION 10.1(h). Provides that non-citizen families who legally reside in NC are eligible for child care subsidies if all other conditions of eligibility are met. Provides that non-citizen families who illegally reside in NC are eligible for child care subsidies only if the child is receiving child protective or foster care services, is developmentally delayed or at risk of being developmentally delayed, or is a U.S. citizen.

CHILD CARE ALLOCATION FORMULA

SECTION 10.2(a). Requires the Department of Health and Human Services (DHHS) to allocate child care subsidy voucher funds for care for minor children of needy families. Sets base

amount at 30% Smart Start subsidy allocation under GS 143B-168.15(g), and directs remainder to be based on projected cost of serving children in a county under age 11 in families with all parents working who earn less than 75% of state median income provided, however, that no county's allocation may be less than 90% of its state fiscal year 2001-02 initial child care subsidy allocation.

SECTION 10.2(b). Authorizes DHHS to reallocate unused child care subsidy voucher funds to meet the child care needs of low-income families based on expenditures of all child care subsidy funding within a county.

SECTION 10.2(c). Authorizes DHHS to reallocate up to \$20 million in federal block grant funds and state funds appropriated for biennial fiscal years for child care services to prevent termination of child care services or to maximize use of nonrecurring funds that are available.

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.3. Prohibits DHHS from requiring local matching as a condition for child care funds unless federal law requires it. Requires local purchasing agencies to provide 20% local match to receive funds DHHS reallocates above \$25,000, but matching requirements do not apply when funds are allocated because of a disaster as defined in GS 166A-4(1).

CHILD CARE REVOLVING LOAN

SECTION 10.4. Authorizes transfer of funds for Child Care Revolving Loan Fund to the financial institution to operate the Fund and authorizes use of principal and income for loans or administration costs.

INCREASE/ESTABLISH CHILD CARE LICENSING FEES FOR CHILD CARE FACILITIES

SECTION 10.5. Amends GS 110-90 to increase the child care facility licensing fees as follows: 12 or fewer children: from \$35 to \$52; 13-50 children, from \$125 to \$187; 51 to 100 children, from \$250 to \$375; 101 or more children, from \$400 to \$600.

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVE ENHANCEMENTS

SECTION 10.6(a) Limits administrative costs on an average statewide basis for all local partnerships to not more than 8% of the total statewide allocation. Defines administrative costs to include partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management.

SECTION 10.6(b). Requires the North Carolina Partnership for Children, Inc., and all local partnerships, to use competitive bidding for goods and services as follows: (1) \$5,000 or less, the procedures of the Board of Directors of the North Carolina Partnership for Children, Inc.; (2) greater than \$5,000 but less than \$15,000, three written quotes; (3) greater than \$15,000 but less than \$40,000, a request for proposal process; and (4) greater than \$40,000, a request for proposal process and advertising in a major newspaper.

SECTION 10.6(c) Requires the North Carolina Partnership for Children, Inc., and all local partnerships, in the aggregate, to match at least 50% of the total amount budgeted for the program in each fiscal year of the biennium, with at least 15% cash and 5% in-kind donated resources including professional-equivalent volunteer services valued at fair market value and other volunteer services at statement average rate compiled by the Employment Security Commission in the Employment and Wages in North Carolina Annual Report for the most recent period for which data are available. Authorizes the North Carolina Partnership for Children, Inc., to carry forward excess on a fiscal year basis. Authorizes consideration of expenses of other participating non-state entities according to defined criteria. Prescribes additional accounting and reporting requirements for the matching requirement.

SECTION 10.6(d). Requires DHHS to continue to implement the performance-based evaluation system.

SECTION 10.6(e). Prohibits DHHS and the North Carolina Partnership for Children, Inc., from allocating funds for Early Childhood Education and Development Initiatives for fiscal years 2009-10 and 2010-11 to capital expenditures as defined in GS 143C-1-1(d)(5), or for advertising and promotional activities.

SECTION 10.6(f). Authorizes a county to use its 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 North Carolina Partnership for Children, Inc., in compliance with federal regulations and state licensure requirements.

SECTION 10.6(g). Requires local partnerships to spend on child care subsidies at least \$52 million for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement for biennial fiscal years.

NC HEALTH CHOICE TRANSITION

SECTION 10.7. Requires the Secretary of DHHS to assume administrative responsibility for the North Carolina Health Choice for Children program. Requires transition from the State Health Plan to the Division of Medical Assistance by July 1, 2010. Requires the Secretary to report to the Joint Legislative Health Care Oversight Committee and the Committee on Employee Hospital and Medical Benefits at least 30 days prior to the transition.

NC HEALTH CHOICE TRANSITION STUDY

SECTION 10.8. Requires Office of State Budget and Management (OSBM) to study staffing levels for the transition of NC Health Choice from the State Health Plan and to report by March 1, 2010.

CHANGES TO MEDICAL POLICY FOR NC HEALTH CHOICE

SECTION 10.9. Adds new GS 108A-54.3 to set requirements for the North Carolina Health Choice Program for Children, requiring consultation with the Physician Advisory Group of the North Carolina Medical Society, affected professional societies and organizations, and other organizations the Secretary of DHHS deems appropriate. Requires the Secretary to publish proposed new medical coverage policy provisions at least 45 days prior to adoption, and prescribes other notice requirements of proposed policy provisions.

EXEMPTIONS TO RULEMAKING

SECTION 10.10. Amends GS 150B-1(d)(9) by including DHHS in adopting or amending policies under the Health Choice Program for Children in those that are exempted from rule making.

NC HEALTH CHOICE MEDICAL POLICY

SECTION 10.11. Prohibits DHHS from changing the NC Health Choice medical policy affecting the amount, sufficiency, duration, and scope of NC Health Choice health care services, or authorized providers, until the Division of Medical Assistance submits five-year fiscal analysis. Requires DHHS to submit a proposed change that exceeds \$1 million in total fiscal year requirements to the Office of State Budget and Management and the Fiscal Research Division and prohibits its implementation until funding is approved by the Office of State Budget and Management unless federal law requires the change. If changes exceeding \$1 million are required for compliance with federal law, DHHS must submit proposed policy to Office of State Budget and Management prior to implementing the change. Requires DHHS to submit a quarterly report itemizing all medical policy changes with total requirements of less than \$1 million.

HEALTH CHOICE ENROLLMENT

SECTION 10.12. Prohibits DHHS NC Health Choice from starting a wait list if funds are insufficient, instead authorizing use of other funds available to DHHS to enroll all eligible children.

EXPAND HEALTH CHOICE

SECTION 10.13. Requires DHHS to use funds appropriated for NC Kids' Care for the fiscal biennium to support the existing NC Health Choice Program to expand access to health insurance to children below 200% of the federal poverty level effective July 1, 2009, and for transition of administration of NC Health Choice from the State Health Plan to the DHHS Division of Medical Assistance.

IMPLEMENTATION OF MMIS/CONTRACT PROVISION

SECTION 10.14. Requires DHHS to make full development of the replacement Medicaid Management Information System (MMIS) "a top priority." Specifically requires plans for receiving and tracking premiums and for compatibility with the administration of the Health Information System.

Specifies certain requirements for the contract between DHHS and the vendor. Requires DHHS to have detailed cost information for each requirement before signing the contract. Provides that contract provisions that do not comply with the statute are void. Requires DHHS to engage private counsel with the pertinent information technology and computer law expertise to review requests for proposals and to negotiate and review contracts associated with MMIS. Authorizes expenditure of \$300,000 from the fiscal year 2009-10 appropriation to DHHS for MMIS replacement system to hire time-limited staff to ensure the integration of NC Health Choice into the MMIS project. Requires DHHS to develop and report by March 1, 2009, a comprehensive schedule for the development and implementation of the MMIS that fully incorporates federal and state requirements, and requires immediate report of changes to key milestones. Requires DHHS to submit quarterly reports to specified legislative committees beginning July 1, 2009, on changes in the functionality and projected costs of the MMIS. Requires DHHS to ensure that the solution developed in the Reporting and Analytics Project can interface with the North Carolina State Health Plan for Teachers and State Employees. Requires the Reporting and Analytics solution to be completed simultaneously with the replacement MMIS.

MEDICAID

SECTION 10.15(a). Requires the state to pay 100% of the nonfederal costs of all applicable Medicaid services and of the federal Medicare Part D clawback payments under the Medicare Modernization Act of 2004. Authorizes the DHHS Division of Medical Assistance, if first approved by the Office of State Budget and Management, to use funds that are identified to support the cost of development and acquisition of equipment and software and related operational costs through contractual means to improve and enhance information systems that provide management information and claims processing. Requires DHHS to identify adequate funds to support the implementation and first year's operational costs that exceed funds allocated for the biennium fiscal years for the new contract for the fiscal agent for the Medicaid Management Information System.

SECTION 10.15(b). Authorizes DHHS to contract processes in order to improve cost containment, subject to the approval of a change in the State Medicaid Plan. Authorizes DHHS to undertake other cost-containment programs. Requires the DHHS Division of Medical Assistance to share state savings with counties that successfully recover fraudulently spent Medicaid funds. Prohibits DHHS from changing "medical policy" affecting the amount, sufficiency, duration, and scope of health care policy, or authorized providers, until the Division of Medical Assistance submits five-year fiscal analysis. Requires DHHS to submit a proposed change that exceeds \$3 million in total fiscal year requirements to the Office of State Budget and Management and the Fiscal Research Division and prohibits its implementation until funding is approved by the Office of State Budget and Management unless federal law requires the change. If changes exceeding \$3 million are required for compliance with federal law, DHHS must submit proposed policy to Office of State Budget and Management prior to implementing the change. Requires DHHS to submit a quarterly report itemizing all medical policy changes with total requirements of less than \$3 million.

SECTION 10.15(c). Sets maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance. Provides for annual updating of various income limits. Requires certain coverages to be provided to adoptive children with special or rehabilitative needs and independent foster care adolescents ages 18-20. Provides incentive allowances for Medicaid-eligible recipients of ICF and ICF/MR services.

SECTION 10.15(d). Provides a schedule for DHHS to spend funds appropriated for Medicaid services and otherwise requires payment as prescribed in the State Plan as established by DHHS. Service and payment bases may be changed with the approval of the Director of the Budget.

SECTION 10.15(e). Authorizes DHHS to require Medicaid-enrolled providers to provide a performance bond not to exceed \$100,000 from Medicaid-enrolled providers and sets standards for waiving the requirement. Limits reimbursement based on number of visits per fiscal year.

SECTION 10.15(f). Authorizes DHHS to waive service limitations, eligibility requirements, and payment bases in order 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.

SECTION 10.15(g). Authorizes DHHS to adopt temporary or emergency rules to maximize receipt of federal funds within existing appropriations and to reduce Medicaid expenditures and fraud. Requires DHHS to adopt rules requiring providers to attend training. Requires DHHS to report to the Joint Legislative Health Care Oversight Committee on anticipated changes to the Medicaid program regarding type or level of service, reimbursement methods, or waivers, any of which require a change in the State Plan or other approval by the Centers for Medicare and Medicaid Services.

DMA CONTRACT SHORTFALL

SECTION 10.16(a). Requires the DHHS Division of Medical Assistance to obtain Office of State Budget and Management approval before entering into any new contract or renewing or amending existing contracts that exceed the current contract amounts.

SECTION 10.16(b). Requires the DHHS Division of Medical Assistance to “make every effort to effect savings within its operational budget and use those savings to offset its contract shortfall.” Authorizes DHHS to use appropriated funds to cover the contract shortfall in the Division of Medical Assistance.

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.

MEDICAID SPECIAL FUND TRANSFER

SECTION 10.18. Appropriates \$43 million from the Medicaid Special Fund to DHHS for each of the fiscal years in the biennium to be allocated as prescribed by GS143C-9-1(b) for Medicaid programs. Authorizes DHHS to use the Medicaid Special Fund for settlement of the Disproportionate Share Hospital payment audit issues between the Department of Health and Human Services and the federal government related to fiscal years 1997-02, and appropriates funds from fiscal year 2009-10 for this purpose.

EXTEND IMPLEMENTATION OF COMMUNITY ALTERNATIVES PROGRAMS REIMBURSEMENT SYSTEM

SECTION 10.19. Requires full implementation for the Community Alternatives Programs reimbursement system within 12 months after the date on which the replacement Medicaid Management Information System becomes operational and stabilized.

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

SECTION 10.20(a). Subject to approval of the Centers for Medicare and Medicaid Services, requires DHHS, Division of Medical Assistance, to develop a schedule of cost-sharing requirements for families of children with incomes above the Medicaid allowable limit to share in the costs of their child's Medicaid expenses under the CAP-MR/DD and CAP-C based on a sliding scale of family income and taking into account the impact on families with more than one child in the programs.

SECTION 10.20(b). Requires the DHHS Division of Medical Assistance to develop business rules, program policies and procedures, and define relevant technical requirements.

SECTION 10.20(c). Requires DHHS, prior to seeking approval from CMS, but not later than October 1, 2009, to report to specific legislative committees about public hearing comments on the cost-sharing program.

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

SECTION 10.21. Specifies subjects on which DHHS is to focus in its consideration of ways to expand the scope of Community Care of North Carolina care management model.

MEDICAID PROVIDER AND RECIPIENT APPEALS

SECTION 10.22. Requires DHHS to implement a temporary community support provider appeals process and specifies basic time limits, notice requirements, and other procedures for the DHHS appeals hearing. Authorizes DHHS to suspend endorsement or Medicaid participation of a provider of community support services pending a final agency decision based on a fair hearing of the provider's appeal filed with the Department under its community support provider appeal process. Effective for appeals on and after July 1, 2008; expires July 1, 2010. Requires DHHS to report on the process on October 1, 2009, and March 1, 2010. Also provides a process for a Medicaid applicant or recipient to appeal a determination made by the Department of Health and Human Services to deny, terminate, suspend, or reduce Medicaid covered services. Specifies basic time limits, notice requirements, and other procedures for the DHHS hearing. Authorizes chief administrative law judge to limit and simplify the procedures that apply to a contested Medicaid case involving a Medicaid applicant or recipient in order to complete the case as quickly as possible, and authorizes use of mediation in such cases. Specifies the burdens of proof to show entitlement to benefits. Sets presumptive time limits for hearing and issuance of decisions. Authorizes DHHS to engage in an informal review of the case with the applicant or recipient prior to issuing a notice of adverse determination. Provides that the appeals process for Medicaid applicants and recipients expires July 1, 2010, and requires DHHS and the Office of Administrative Hearings each to report on the process on October 1, 2009, and March 1, 2010.

SECTION 10.22(i). Requires DHHS Division of Medical Assistance to adopt a policy reducing the maximum allowable hours for community support services to eight hours per week, except for services offered under a Medicaid managed care, capitated at-risk waiver.

CLARIFYING CHANGES TO STATE MEDICAID RESPONSIBILITIES

SECTION 10.23. Provides that as of June 1, 2009, the counties are not responsible for Medicaid settlement payments to providers or refunds of expenditures for program service claims, but counties continue to participate in their share of administrative costs.

DMA REDUCTION OPTION FLEXIBILITY

SECTION 10.24. Requires DHHS, Division of Medical Assistance, to review ways to improve health care and reduce costs and to submit proposals to the Governor's Office by January 15, 2010.

CO-PAYMENTS FOR TICKET TO WORK

SECTION 10.25. Rewrites GS 108A-54.1(d) to require individuals participating in the Health Coverage for Workers with Disabilities Act to make copayments equal to those required under the Medical Assistance Program (was, NC Health Choice Program.)

ACCOUNTING FOR MEDICAID RECEIVABLES AS NONTAX REVENUE

SECTION 10.26.(a) Requires that receivables reserved at the end of the 2009-10 and 2010-11 fiscal years be accounted for when received as nontax revenue for each of those fiscal years.

SECTION 10.26.(b) Requires the Department of Health and Human Services (DHHS) to deposit from its revenues for the 2009-10 fiscal year \$124,994,954 with the Department of State Treasurer, to be accounted for as nontax revenue. Makes similar requirement for the 2010-11 fiscal year, with the required amount being \$100,000,000. Provides that any excess revenue collected is to be reserved by the State Treasurer in the Department's account for future

appropriations by the General Assembly. Specifies that these deposits represent the return of General Fund appropriations provided to DHHS for provision of indigent care services at State-owned and operated mental hospitals. States that the treatment of any revenue derived from federal programs shall be in accordance with the requirements specified in the Code of Federal Regulations, Volume 2, Part 225.

PREFERRED DRUG LIST PROGRAM

SECTION 10.27. Directs DHHS to establish a preferred drug list program under the Division of Medical Assistance, but legislation establishing new program becomes effective only if DHHS is unable to demonstrate by June 1, 2010, that \$20,791,264 in prescription drug savings have been realized by the following methods: (1) enhancement of the utilization management of the Prescription Advantage List, (2) increased use of generic drugs in place of brand-name drugs, and (3) increased rebate collections on generic drugs. Requires DHHS to submit a medical assistance State Plan amendment to the Centers for Medicare and Medicaid Services (CMS) of the United States Department of Health and Human Services if program is implemented.

SECTION 10.27.(b). Requires the pharmaceutical and therapeutics committee of the Physician's Advisory Group (PAG) to provide ongoing review of the preferred drug list. Contains provisions pertaining to disclosure of conflicts of interest on the part of members of the committee to disclose conflicts of interest not included in the original disclosure.

SECTION 10.27.(c). Requires DHHS, in consultation with PAG, to adopt and publish policies and procedures relating to the preferred drug list, including guidelines for inclusion of specific drugs, an audit procedure for review of appropriateness of patient care and cost effectiveness, and an appeals process for the resolution of disputes. Directs DHHS and PAG to consider all therapeutic classes of prescription drugs for inclusion on the preferred drug list, with the exception of medications for treatment of HIV and AIDS. Directs DHHS to take specific steps, including participation in a multistate purchasing pool, to obtain lowest available price for drugs under the program. Allows DHHS to negotiate supplemental rebates from manufacturers in addition to those required by Title XIX of the federal Social Security Act, and requires consideration of a product for inclusion on the preferred drug list if the manufacturer provides a supplemental rebate. Authorizes DHHS to procure a sole source contract with an outside entity or contractor to conduct negotiations for supplemental rebates.

MEDICAID MANAGEMENT INFORMATION SYSTEM (MMIS) FUNDS

SECTION 10.28. Appropriates \$11,071,502 for fiscal year 2009-10 and \$9,820,689 for fiscal year 2010-11 from prior year earned revenues received by DHHS for the Medicaid Management Information System (MMIS) replacement project. Directs that these funds be used to match federal funds for the procurement, design, development, and implementation of the new MMIS system and to fund the central management of the project. In the event that prior year earned revenue is not received in these amounts, authorizes DHHS, with approval of OSBM, to use other over-realized receipts to the level appropriated in this section for MMIS expenditures.

MEDICAID FALSE CLAIMS

SECTION 10.29.(a). Rewrites GS 108A-70.11(5) to include Medical Assistance Program (MAP) under GS 108A-54 in definition of Medical Assistance Program.

SECTION 10.29.(b). Amends GS 108A-70.12(a) to add to the list of unlawful acts by a provider of medical assistance (1) conspiracy to defraud MAP by obtaining a false or fraudulent claim allowed or paid and (2) use of a false record or statement to evade payment to MAP.

SECTION 10.29.(c). Amends GS 108A-70.12(b)(1) to increase maximum civil penalty for violation of statute to \$11,000.

SECTION 10.29.(d). Adds Part 7A to GS Chapter 108A, Article 2, entitled Civil Action by Private Persons for Provider False Claims, with following provisions:

(1) Allows an individual to bring a civil action for a violation of GS 108A-70.12, on behalf of the person and the State. Requires that the complaint and supporting evidence first be served on the State and kept under seal (and not served on the defendant) for at least 120 days. The State may, for good cause, ask the court for a partial lift of seal if necessary to investigate the claim, as

well as for extensions of time before the seal is lifted. The defendant is served only when the court orders, and is then allowed 21 days to respond to the complaint.

(2) On or before the end of 120 days or extension thereof, the State may (1) intervene and proceed with the action or (2) notify the court that it declines to take over the action. The plaintiff may not dismiss the action during this period, unless both the court and the Attorney General give written consent and state their reasons for doing so.

(3) If the State elects to proceed with the action, it has primary responsibility for prosecuting it, with authority to dismiss or settle the action, subject to certain requirements set out in the statute. While the person initiating the action has the right to continue as a party, that person's consent is not required for dismissal or settlement, and the court has authority to limit the person's participation in the litigation. The new law sets out both conditions under which the court must limit the person's participation and specific ways in which participation must be limited.

(4) If the State declines to take over the action, the person initiating the action has the right to proceed. The State has the right to receive copies of all pleadings as well as deposition transcripts. If the State shows that discovery in the action will interfere with its investigation or prosecution in another action based on the same facts, the court must stay discovery for up to 60 days.

(5) If the State chooses to proceed with the action, the person initiating the action is entitled to receive 15-25% of any proceeds (25%-30% if the State declines to participate), depending upon the extent of the person's contribution. If the person planned and initiated the violation, however, or is convicted of criminal conduct in connection with the violation, the person is to be dismissed from the action and is not entitled to any portion of the proceeds.

(6) If the person initiating the action proceeds without the State, the court may award attorneys' fees and expenses to the defendant upon a finding that the action was frivolous or brought for purposes of harassment.

The new law contains detailed provisions related to the rights of persons other than those with direct and independent knowledge of the violation to bring an action under this section, as well as the rights of state or local government employees to bring an action based on knowledge gained during the course of employment. The statute of limitations for the new cause of action is the later of six years after the violation occurs, or three years after the responsible state official learns or should have learned about the material facts involved (limited to a maximum of 10 years after the violation occurs).

SECTION 10.29.(e). Makes conforming changes to GS 108A-70.15

SECTION 10.29.(f). Requires DHHS, Division of Medical Assistance, to transfer \$352,136 in fiscal year 2010-11, and each year thereafter, to fund five permanent staff positions at the Attorney General's Office necessary to implement the Medicaid False Claims Act, provided that this legislation is adopted and meets the federal Center for Medicare and Medicaid Services criteria to receive 10% bonuses subject to the False Claims Act.

FREEZE MEDICAID PROVIDER RATES

Section 10.30. Directs DHHS to freeze rates for fiscal year 2009-10 at the level authorized in fiscal year 2008-09 for all Medicaid private and public providers with the following exceptions: federally qualified health clinics, rural health centers, state institutions, outpatient hospital, pharmacy, and the noninflationary components of the case-mix reimbursement system for nursing facilities. Provides that Medicaid rates predicated upon Medicare fee schedules must follow Medicare reductions but not Medicare increases unless federally required. Allows inflationary increases for Medicaid providers paying provider fees (private ICF-MRs and nursing facilities), provided the state share of the increases can be funded with provider fees.

NON-MEDICAID REIMBURSEMENT CHANGES

SECTION 10.31. Limits reimbursement to providers of medical services under the various state programs other than Medicaid to a maximum of the allowable rates under the North Carolina Medical Assistance Program (MAP).

Authorizes DHHS to reimburse hospitals at the full prospective per diem rates without regard to MAP's annual limits on hospital days. Provides that when MAP's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse providers in

non-Medicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Authorizes DHHS to negotiate with providers of medical services under the various DHHS programs, other than Medicaid, for rates as close as possible to Medicaid rates for contracts for medical services and purchases of medical equipment and supplies. Limits use of negotiated rates to meet the medical needs of its non-Medicaid eligible patients, residents, and clients for whom such services cannot be provided when limited to the Medicaid rate.

Establishes maximum net family annual income eligibility standards for services in these programs as follows:

DSB Medical Eye Care	125% FPL
DSB Independent Living <55	125% FPL
DSB Independent Living 55>	200% FPL
DSB Vocational Rehabilitation	125% FPL
DVR Independent Living	125% FPL
DVR Vocational Rehabilitation	125% FPL

Directs DHHS to contract at, or as close as possible to, Medicaid rates for medical services provided to residents of state facilities of DHHS.

DATA COLLECTION AND CASE MANAGEMENT SYSTEMS

SECTION 10.32. Appropriates \$1.5 million from Budget Code 67425, Fund Code 6725, and Fund Code 6726, to Budget Code 24410 for Information Technology Projects in DHHS, Division of Central Management and Support, for the Data Collection and Case Management Systems initiative, which will also be supported with federal funds from the Rehabilitation Act. Provides that these funds will be used for data collection and case management information systems to replace the current system in use by the Divisions of Services for the Blind, Services for the Deaf and Hard of Hearing, and Vocational Rehabilitation. Directs DHHS to use federal funds before State funds if possible, and to use funds from Budget Code 67425 only as necessary. Specifies that funds do not revert until the project is complete.

VITAL RECORDS FEES

SECTION 10.33. Amends GS 130A-93.1 to increase fee for first copy of vital record or search with no copy to \$24 (was, \$15). Provides fee of \$15 for additional copies. Increases amount retained by local agency for search of database maintained by State Registrar to \$10. Increases fee for expedited service in response to out-of-state requests to \$20. Makes no change to present charge of \$15 for expedited service in response to in-state requests.

CHANGES TO COMMUNITY-FOCUSED ELIMINATING HEALTH DISPARITIES INITIATIVE

SECTION 10.34.(a). Provides that funds appropriated in this act from the General Fund to DHHS for the Community-Focused Eliminating Health Disparities Initiative (CFEHDI) are to be used for grants-in-aid to local public health departments, American Indian tribes, and faith- and community-based organizations to close the gap in the health status of African-Americans, Hispanics/Latinos, and American Indians as compared to the health status of white persons. Requires grants to focus on preventive measures to support healthy lifestyles. States that the areas of focus on health status shall be infant mortality, HIV-AIDS and sexually transmitted infections, cancer, diabetes, homicides, and motor vehicle deaths.

SECTION 10.34.(b). Provides that funds appropriated for CFEHDI are to be awarded as a grant-in-aid to honor the memory of the following recently deceased members of the General Assembly: Bernard Allen, John Hall, Robert Holloman, Howard Hunter, Jeanne Lucas, and William Martin. Requires use of funds for concerted efforts to address large gaps in health status among North Carolinians who are African-American, as well as disparities among other minority populations in North Carolina.

SECTION 10.34.(c). Requires DHHS to report on use of funds appropriated to the CFEHDI for the 2009-10 and 2010-11 fiscal years. Specifies required content of report, including information about what programs received grants, amount of grants awarded, identification of minority populations served, and specific activities carried out to fulfill community focus of

program. Further requires DHHS to solicit feedback from grantees and to identify specific measures taken to address large gaps in health status of minority populations in NC.

Requires report not later than January 15, 2010, to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

FUNDS FOR SCHOOL NURSES

SECTION 10.35.(a). 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. Prohibits use of funds for nursing positions at state agencies. Limits use of funds to direct services.

AIDS DRUG ASSISTANCE PROGRAM (ADAP)

SECTION 10.36. Authorizes DHHS to adjust the financial eligibility criterion of the ADAP up to 300% of the federal poverty level for the 2009-10 and 2010-11 fiscal years, within existing ADAP resources. Specifies that DHHS should give first priority to individuals with incomes at or below 125% of the federal poverty level, and second priority to those individuals with incomes between 125% and 250% of federal poverty guidelines.

PHYSICIAN SERVICES

SECTION 10.37. Allows DHHS, with approval of OSBM, to use appropriated funds 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 10.38. Permits DHHS and the Department of 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 UNC who are in training at institutions operated by DHHS.

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

SECTION 10.39. Limits use of funds appropriated in this act for the Jim "Catfish" Hunter Chapter of the ALS Association to services provided within North Carolina.

NORTH CAROLINA FAMILIES ACCESSING SERVICES THROUGH TECHNOLOGY (NC FAST) FUNDS

SECTION 10.41. Appropriates \$18,327,478 from Budget Code 24441, Fund Code 2006, to DHHS, Division of Central Management Services, for the 2009-10 fiscal year. Provides that these funds, dedicated to the development of North Carolina Families Accessing Services Through Technology (NC FAST), will match federal funds for project implementation.

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.42. 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. Requires DHHS to publish an annual performance report that details the statewide and local office performance of each child support office.

CHANGES TO FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.43. 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 10.44. Until the Social Services Commission adopts rules setting standardized rates for child caring institutions as authorized under GS 143B-153(8), 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 and directs that counties, in determining the maximum reimbursement, include county and IV-E reimbursements.

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.45. Specifies that of the funds appropriated to DHHS, \$100,000 must be used to support the Special Children Adoption Fund for the 2009-10 and 2010-11 fiscal years. Directs the Division of Social Services (DSS) in consultation with the NC Association of County Directors of Social Services and representatives of licensed private adoption agencies, to develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in GS 108A-50 and in foster care. 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. Directs DSS to monitor expenditures and redistribute unspent funds as necessary to ensure that funds are used for the intended purpose, rather than reverting.

CHILD WELFARE POSTSECONDARY SUPPORT PROGRAM/USE OF ESCHEAT FUND

SECTION 10.46.(a). Specifies that \$3,168,250 of the funds appropriated from the Escheat Fund income to DHHS are to be used for each of the 2009-10 and 2010-11 fiscal years to support a child welfare postsecondary program. Further appropriates from the General Fund to DHHS \$1,668,250 for the 2010-11 fiscal year to support a child welfare postsecondary support program for the educational needs of foster youth aging out of the foster care system and special needs children adopted from foster care after age 12 by providing assistance with the cost of attendance as that term is defined in 20 U.S.C. § 1087II.

Authorizes use of Escheat Fund principal if the interest income generated from that fund is less than the amounts appropriated by this act, provided that the Fund is not reduced to less than \$400 million. Directs SEAA to allocate appropriated funds.

SECTION 10.46.(b). Allocates \$50,000 of the funds appropriated from the General Fund to DHHS for each of the 2009-10 and 2010-11 fiscal years to SEAA for administrative functions necessary to manage scholarship funds under the child welfare postsecondary support program.

SECTION 10.46.(c). Allocates \$500,000 of the funds appropriated from the General Fund to DHHS for each of the 2009-10 and 2010-11 fiscal years to contract with an entity to develop and administer the child welfare postsecondary support program, including the performance of case management services.

SECTION 10.46.(d). Limits use of funds appropriated for the child welfare postsecondary support program to students attending NC public institutions of higher education.

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.47. 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. Directs DHHS to establish performance-based funding protocol upon which to base decisions about amount of funding for each program. Requires DHHS to publish an annual report containing above information.

TANF BENEFIT IMPLEMENTATION

SECTION 10.48. States that the General Assembly approves the plan titled North Carolina Temporary Assistance for Needy Families State Plan FY 2009-11, 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, and Wilson.

LIMITATION ON STATE ABORTION FUND

SECTION 10.49. Provides that the limitations on funding of the performance of abortion established in Section 23.27 of Chapter 324 of the 1995 Session Laws, as amended by Section 23.8A of Chapter 507 of the 1995 Session Laws, apply to the 2009-10 and 2010-11 fiscal years.

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

SECTION 10.50. 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, including semiannual report on progress to Governor, Joint Appropriations Committees and Subcommittees on Education, Justice and Public Safety, and Health and Human Services, and the Fiscal Research Division.

STATE-COUNTY SPECIAL ASSISTANCE

SECTION 10.51. 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. Provides that the eligibility of Special Assistance recipients residing in adult care homes on August 1, 1995, shall not be affected by an income reduction in the Special Assistance eligibility criteria resulting from adoption of the Rate Setting Methodology Report and Related Services, providing these recipients are otherwise eligible, and sets the maximum monthly rate for these residents in adult care home facilities at \$1,231 per month per resident.

SPECIAL ASSISTANCE IN-HOME

SECTION 10.52. Permits DHHS to use funds from the existing State-County Special Assistance for Adults budget to provide Special Assistance payments to up to 1,500 eligible individuals in in-home living arrangements and sets out requirements for doing so. Specifies that

for fiscal year 2009-2010, qualified individuals shall not receive payments at rates less than they would have been eligible to receive in State fiscal year 2008-09.

STUDY THE AVAILABILITY OF COMMUNITY MH/DD/SA SERVICES FOR MILITARY FAMILIES

Section 10.53. Requires that funds appropriated in this act to DHHS for the NC Institute of Medicine shall be used to study the availability of Medicaid and State-funded mental health, developmental disability, and substance abuse services to active duty, reserve, and veteran members of the military and National Guard. Requires report of findings and any recommended legislation to the Governor's Office, the Joint Legislative Commission on Governmental Operations, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services by February 15, 2010.

STUDY COMMISSION ON THE STATEWIDE TRAUMA SYSTEM

SECTION 10.54. Creates the Legislative Study Commission on the Statewide Trauma System, consisting of 12 voting members as follows: (1) Six members appointed by the Speaker of the House of Representatives, to include four members of the House of Representatives, one member of the NC Emergency Medical Services Advisory Council, and one member of the general public and (2) six members appointed by the President Pro Tempore of the Senate, to include four members of the Senate, one hospital Chief Executive Officer, and one member of the general public. Sets out duties of Commission and requires a report to the General Assembly by the convening of the 2010 Regular Session.

DHSR LICENSE FEE INCREASES

SECTION 10.55.(a). Amends GS 131D-2(b) to increase annual license fee for adult care homes with six or fewer beds to \$315. Increases fees for homes with more than six beds to an annual license fee of \$360 plus a per-bed fee of \$17.50.

SECTION 10.55.(b). Amends GS 131E-147 to increase annual license fee for ambulatory surgical facility to \$850 and increases the per-operating room fee to \$75.

SECTION 10.55.(c). Amends GS 131E-167 to increase annual fee for certificate for cardiac rehabilitation programs to \$385.

SECTION 10.55.(d). Amends GS 131E-138 to increase annual license fee for home care agencies to \$510.

SECTION 10.55.(e). Amends GS 131E-77 to increase annual per-bed fee for hospitals to \$17.50.

SECTION 10.55.(f). Amends GS 122C-23 to increase annual per-bed fee to \$17.50 for facility with more than six beds serving the mentally ill, developmentally disabled, and substance abusers.

SECTION 10.55.(g). Amends GS 131E-102 to decrease annual license fee for nursing homes to \$420 and increase per-bed fee to \$17.50.

NC NOVA

SECTION 10.56. Authorizes DHHS, Division of Health Services Regulation, to use up to \$88,000 for SFY 2010 and \$93,700 for SFY 2011 of existing resources to continue the NC New Organizational Vision Award certification program. Directs the Division to use federal civil monetary penalty receipts as a source of support for this initiative, when appropriate.

DMH PURCHASING

SECTION 10.57. Amends GS 146-56 to add to list of purchases not required to be made through the Department of Administration group purchases by developmental centers, neuron-medical treatment centers, and alcohol and drug abuse treatment centers through a competitive bidding purchasing program.

FILLING SERVICE GAPS

SECTION 10.58. Provides for allocation of appropriated funds for mental health services and supported employment to local management entities (LMEs) proportionate to LMEs' percentage of the state's total population that is below the federal poverty level.

INCREASE AVAILABILITY OF SUBSTANCE ABUSE TREATMENT

SECTION 10.59.(a). Encourages LMEs to use some funds appropriated for substance abuse treatment services to support prevention and education activities.

SECTION 10.59.(b). Authorizes an LME to use up to 1% of funds allocated for substance abuse treatment services to provide nominal incentives for consumers who achieve specified treatment benchmarks, in accordance with the federal substance abuse and mental health services administration best practice model entitled Contingency Management.

SECTION 10.59.(c). Directs LMEs to consult with Treatment Accountability for Safer Communities (TASC) to improve offender access to substance abuse treatment and match evidence-based interventions to individual needs at each stage of substance abuse treatment. Lists offenders that should receive special emphasis.

Directs DHHS to allocate up to \$300,000 to TASC, before funds are allocated to LMEs for mental health, substance abuse, and crisis services.

SECTION 10.59.(d). Directs LMEs to consult with the local drug treatment court teams in order to select a treatment provider that meets all provider qualification requirements and the drug treatment court's needs. Allows selection of a single treatment provider to work with non-Medicaid-eligible participants. Specifies that Drug Treatment Court participants are to receive an array of treatment and aftercare services that meets the participant's level of need, including step-down services that support continued recovery.

SECTION 10.59.(e). Requires DHHS to develop a Uniform Screening Tool (UST) to determine the mental health of any individual admitted to any long-term care facility by October 1, 2009. Requires DHHS to report on the status of UST development on or before January 1, 2010, to the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services.

SECTION 10.59.(f). Authorizes DHHS to use up to \$1.5 million in each of the 2009-10 and 2010-11 fiscal years from the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs for the purposes authorized under GS 143C-9-2(b)(1), (3), and (4).

MENTAL HEALTH CHANGES

SECTION 10.60.(a). Directs DMH/DD/SAS to adjust the timing and method by which allocations of service dollars are distributed to each non-single-stream LME, such that at the beginning of the fiscal year DMH/DD/SAS shall distribute at least one-twelfth of the LME's continuation allocation and subtract the amount of the adjusted distribution from the LME's total reimbursements for the fiscal year.

SECTION 10.60.(b). Requires at least \$8 million of funds appropriated to DHHS for substance abuse services for the 2009-10 and 2010-11 fiscal years to be allocated for support of LMEs in establishing regionally purchased locally hosted substance abuse services.

SECTION 10.60.(c). Directs DHHS to encourage the conversion of remaining non-single-stream LMEs to single-stream funding as soon as possible and to develop prompt-pay guidelines as part of single-stream funding requirements. Also directs DHHS to develop standards for the removal of single-stream designation for those LMEs that do not continue to comply with the applicable requirements for single-stream funding, except that LMEs are allowed a six-month grace period to comply in the first year of single-stream funding.

SECTION 10.60.(d). Directs DHHS, in conjunction with LMEs, to perform a services gap analysis of the Mental Health, Developmental Disabilities, and Substance Abuse Services System. Prohibits DHHS from contracting with an independent entity to perform the gap analysis. Requires report by DHHS to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, the Fiscal Research Division, and the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services not later than January 1, 2010.

SECTION 10.60.(e). Requires one-time funds appropriated in this act for DHHS to be used for the temporary operation of the Central Regional Hospital Wake Unit on the Dorothea Dix campus. Directs DHHS to evaluate the need to continue the temporary operation of the Wake Unit for one additional year and to provide a recommendation to the Governor no later than February 15, 2010. Directs OSBM to establish the positions for the Central Regional Hospital Wake Unit on the Dorothea Dix campus as time-limited positions.

SECTION 10.60.(f). Requires that \$5,755,000 of the funds appropriated in this act to DHHS, DMH/DD/SAS, for mobile crisis teams be distributed to LMEs to support 30 mobile crisis teams, to be distributed across the state according to need as determined by DHHS.

SECTION 10.60.(g). Requires that \$8,121,644 of the funds appropriated in this act to DHHS, DMH/DD/SAS, to be allocated for the purchase of local inpatient psychiatric beds or bed days, distributed across the state according to need. Directs DHHS to contract with the LMEs and community hospitals for the management of these beds or bed days. Provides that LMEs are to manage local inpatient psychiatric beds or bed days, and to determine which local or state hospital the individual should be admitted to pursuant to an involuntary commitment order. States that funds are to be held in a statewide reserve at DMH/DD/SAS to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. Authorizes DHHS to contract with another LME to manage the beds or bed days, or make direct payment to hospital, upon determination that an LME is not effectively managing the beds or bed days for which it has responsibility, or has failed to comply with the prompt payment provisions of this subsection. Restricts use of appropriated funds to purchase of additional beds or bed days not currently funded by or through LMEs, and prohibits use of funds to supplant other funds available or otherwise appropriated for the purchase of psychiatric inpatient services under contract with community hospitals, including beds or bed days being purchased through Hospital Pilot funds appropriated in SL 2007-323.

SECTION 10.60.(h). Of the funds appropriated in this act to the Department of Health and Human Services, DMH/DD/SAS, \$1,876,243 shall be allocated for the START crisis model for developmental disability services. These funds shall be distributed to LMEs to support six crisis teams. The new crisis teams shall be distributed across the state according to need as determined by the Department.

SECTION 10.60.(i). Funds appropriated in this act in the amount of \$1,080,992 for start-up and ongoing support of respite beds for individuals with developmental disabilities shall be distributed across the state by the Department according to need.

SECTION 10.60.(j). Provides for allocation of \$6,113,947 for walk-in crisis and immediate psychiatric aftercare, to be distributed to the LMEs to support 30 psychiatrists and related support staff. Requires \$1,650,000 of these funds to be used for telepsychiatry equipment to be owned by the LMEs, distributed across the state according to need.

SECTION 10.60.(k). States that independent and supportive living apartments for persons with disabilities constructed from funds appropriated in this act for that purpose are to be affordable to persons with incomes at the Supplemental Security Income (SSI) level.

SECTION 10.60.(l). Directs DMH/DD/SAS to implement the tiered CAP-MR/DD waiver program in accordance with Section 10.49(dd) of SL 2007-323, and specifies tiers.

SECTION 10.60.(m). Provides that of the funds appropriated in this act to DHHS, Division of Medical Assistance, for the 2009-10 fiscal year for CAP-MR/DD slots, a portion of these funds shall be allocated for slots managed under the NC CAP-MR/DD 1915(c) Medicaid waiver and shall be used for tier one slots as described under Section 10.15(n). of SL 2008-107. Requires that a portion of these funds be allocated to fund CAP-MR/DD slots statewide to fund a combination of slots managed under the NC CAP-MR/DD 1915(c) Medicaid waiver and slots managed under the NC Piedmont Behavioral Health Care 1915(b) and (c) Medicaid waiver.

SECTION 10.60.(n). Directs DHHS to implement a plan to catch up Piedmont Behavioral Health (PBH) CAP-MR/DD slots to the State average such that 1% of the funds for turnover CAP-MR/DD slots are transferred each year to PBH until PBH CAP-MR/DD slots reach the state per capita average of slots.

SECTION 10.60.(o). Directs DHHS to ensure that veterans and their families are a target population for mental health, developmental disabilities, and substance abuse services.

SECTION 10.60.(p). Directs DHHS to develop a plan to return the service authorization, utilization review, and utilization management functions to LMEs for all clients by July 1, 2009, so that at least 30% of the state's population is represented. Sets out accreditation requirements for LMEs in order to provide these services to Medicaid recipients. Prohibits DHHS from contracting with an outside vendor for these services. Allows DHHS to return plan authorization for CAP-MR/DD slots to LMEs.

IMPROVE THE QUALITY OF CARE PROVIDED BY DIRECT CARE STAFF

Section 10.61. Directs DHHS to partner with the Office of State Personnel to study the turnover rate and salaries of health care technicians in order to develop a career plan linking compensation to demonstrated skills and competencies.

TRANSITION OF UTILIZATION MANAGEMENT OF COMMUNITY-BASED SERVICES TO THE LOCAL MANAGEMENT ENTITIES

Section 10.62. Directs DHHS to collaborate with LMEs to enhance their administrative capabilities to assume utilization management responsibilities for the provision of community-based mental health, developmental disabilities, and substance abuse services. Authorizes DHHS to use available funds for implementation, provided OSBM approves.

SENIOR CENTER OUTREACH

SECTION 10.63. Directs the Division of Aging and Adult Services to use funds appropriated to it for the 2009-11 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. Limits state funding to 75% of reimbursable costs.

DHHS BLOCK GRANTS

SECTION 10.64.(a). Appropriates from federal block grant funds for the fiscal year ending June 30, 2010, according to the following schedule:

TEMPORARY ASSISTANCE TO NEEDY FAMILIES BLOCK GRANT

Local Program Expenditures

Division of Social Services

1	Work First Family Assistance (Cash Assistance)	\$87,518,579
2	Work First County Block Grants	94,453,315
3	Child Protective Services – Child Welfare Workers for Local DSSs	14,452,391
4	Work First – Connect, Inc. (Work Central)	38,548
5	Child Welfare Collaborative Transition	1,019,193

Division of Child Development

6	Subsidized Child Care Program	61,087,077
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Division of Public Health

7	Teen Pregnancy Prevention Initiatives	450,000
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DHHS Administration

8	Division of Social Services	1,093,176
9	Office of the Secretary	75,392
10	Office of the Secretary/DIRM – TANF Automation Projects	720,000
11	Office of the Secretary/DIRM – NCFAST Implementation	1,200,000

Transfers to Other Block Grants

Division of Child Development

12	Transfer to Child Care and Development Fund	84,330,900
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Division of Social Services
 13 Transfer to Social Services Block Grant (SSBG) for
 Child Protective Services for Child Welfare Training for Counties
 2,729,802
 14 Transfer to SSBG for Teen Pregnancy Prevention Initiatives
 2,500,000
 15 Transfer to SSBG for County Departments of Social Services
 for Children's Services
 4,500,000
 16 Transfer to SSBG for Foster Care Services
 390,000
 TEMPORARY ASSISTANCE TO NEEDY FAMILIES
 BLOCK GRANT TOTAL
 \$357,396,373

TEMPORARY ASSISTANCE TO NEEDY FAMILIES CONTINGENCY FUNDS BLOCK GRANT

Local Program Expenditures
 Division of Social Services
 1 Work First Family Assistance (Cash Assistance)
 \$1,857,193
 2 Work First – Boys and Girls Clubs
 1,200,000
 3 Work First – After-School Services for At-Risk Children
 1,229,785
 4 Work First – After-School Programs for At-Risk Youth in Middle Schools
 300,000
 5 Work First – Connect, Inc. (Work Central)
 330,000
 6 Work First – Citizens Schools Program
 360,000
 7 County Demonstration Grants 3,239,789
 8 Adoption Services – Special Children's Adoption Fund 3,000,000
 9 Conversion Pay for Performance Work First Benefits 1,959,020
 10 Family Violence Prevention 1,200,000
 11 Functional Assessment 600,000
 12 Electing County State Funding Swap Out 2,378,213
 13 State Subsidized Child Care Funding Swap
 12,452,484
 TEMPORARY ASSISTANCE TO NEEDY FAMILIES
 CONTINGENCY FUNDS BLOCK GRANT TOTAL
 \$30,106,484

SOCIAL SERVICES BLOCK GRANT

Local Program Expenditures
 Divisions of Social Services (DSS) and Aging & Adult Services (DAAS)
 1 County Departments of Social Services
 (Transfer from TANF – \$4,500,000) \$ 28,868,189
 2 State In-Home Services Fund 2,101,113
 3 State Adult Day Care Fund 2,155,301
 4 Child Protective Services/CPS Investigative Services –
 Child Medical Evaluation Program 238,321
 5 Foster Care Services (Transfer from TANF \$390,000) 2,372,619
 6 Maternity Homes (Transfer from TANF) 838,000
 7 Special Children Adoption Incentive Fund 500,000

8	CPS – Child Welfare Training for Counties (Transfer from TANF)	2,729,802
	Division of Aging and Adult Services	
9	Home and Community Care Block Grant (HCCBG)	1,834,077
	DMH/DD/SAS	
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	3,150,000
	Division of Vocational Rehabilitation	
14	Vocational Rehabilitation Services – Easter Seal Society/UCP Community Health Program	188,263
	Division of Public Health	
15	Teen Pregnancy Prevention Initiatives (Transfer from TANF)	2,500,000
16	Services to Medically Fragile Children (Transfer from TANF)	290,000
	DHHS Program Expenditures	
	Division of Aging and Adult Services	
17	UNC-CARES Training Contract	247,920
	Division of Services for the Blind	
18	Independent Living Program	3,714,211
	Division of Health Service Regulation	
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	688,436
22	Division of Social Services	892,624
23	Office of the Secretary/Controller's Office	138,058
24	Office of the Secretary/DIRM	87,483
25	Division of Child Development	15,000
26	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	29,665
27	Division of Health Service Regulation	235,625
28	Office of the Secretary/NC Inter-Agency Council for Coordinating Homeless Programs	250,000
29	Office of the Secretary	48,053
	Transfers to Other State Agencies	
	Department of Administration	

30 NC Commission of Indian Affairs In-Home Services for the Elderly
203,198

Transfers to Other Block Grants

Division of Public Health

31 Transfer to Preventive Health Services BG for HIV/STD
Prevention and Community Planning

145,819

SOCIAL SERVICES BLOCK GRANT TOTAL

\$63,735,946

LOW INCOME HOME ENERGY ASSISTANCE BLOCK GRANT

Local Program Expenditures

Division of Social Services

1	Low Income Energy Assistance Program (LIEAP)	\$22,612,198
2	Crisis Intervention Program (CIP)	16,927,343

Office of the Secretary – Office of Economic Opportunity

3	Weatherization Program	7,258,685
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4	Heating Air Repair & Replacement Program (HARRP)	3,385,583
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Local Administration

Division of Social Services

5	County DSS Administration	3,608,361
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Office of the Secretary – Office of Economic Opportunity

6	Local Residential Energy Efficiency Service Providers – Weatherization	420,035
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7	Local Residential Energy Efficiency Service Providers – HARRP	195,910
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DHHS Administration

8	Division of Social Services	275,000
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9	Division of Mental Health/DD/SAS	11,577
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10	Office of the Secretary/DIRM	384,494
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11	Office of the Secretary/Controller's Office	17,566
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12	Office of the Secretary/Office of Economic Opportunity – Weatherization	420,035
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13	Office of the Secretary/Office of Economic Opportunity – HARRP	195,910
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Transfers to Other State Agencies

14	Department of Administration – N.C. Commission of Indian Affairs	95,469
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LOW INCOME HOME ENERGY ASSISTANCE BLOCK
GRANT TOTAL

\$55,808,166

CHILD CARE AND DEVELOPMENT BLOCK GRANT

Local Program Expenditures

Division of Child Development

1	Subsidized Child Care Services (CCDF)	\$144,097,307
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2	Contract Subsidized Child Care Services Support	507,617
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3	Subsidized Child Care Services (Transfer from TANF)	
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84,330,900

4	Quality and Availability Initiatives	24,560,876
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Division of Social Services

5	Local Subsidized Child Care Services Support	16,594,417
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DHHS Administration		
Division of Child Development		
6	DCD Administrative Expenses	6,539,277
Division of Central Administration		
7	DHHS Central Administration – DIRM Technical Services	763,356
CHILD CARE AND DEVELOPMENT BLOCK GRANT TOTAL		\$277,393,750
Additional CHILD CARE AND DEVELOPMENT BLOCK GRANT RECEIVED THROUGH THE American Reinvestment and Recovery Act (ARRA)		
Local Program Expenditures		
Division of Child Development		
1	Subsidized Child Care Services (CCDF)	\$
53,993,329		
2	Contract Subsidized Child Care Services Support	29,030
DHHS Program Expenditures		
Division of Child Development		
3	Quality and Availability Initiatives	
11,519,144		
Local Administration		
Division of Social Services		
4	Subsidy Services Support	
2,001,631		
ADDITIONAL CHILD CARE AND DEVELOPMENT BLOCK GRANT RECEIVED THROUGH ARRA TOTAL		\$
67,543,143		
MENTAL HEALTH BLOCK GRANT		
Local Program Expenditures		
Division of Mental Health/DD/SAS		
1	Mental Health Services – Adult	\$5,877,762
2	Mental Health Services – Child	3,921,991
3	Comprehensive Treatment Service Program	1,500,000
4	Mental Health Services – UNC School of Medicine, Department of Psychiatry	300,000
DHHS Administration		
Division of Mental Health/DD/SAS		
6	Division of Mental Health	100,000
MENTAL HEALTH BLOCK GRANT		\$11,699,753
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
Local Program Expenditures		
DMH/DD/SAS		
1	Substance Abuse Services – Adult	\$22,008,080
2	Substance Abuse Treatment Alternatives for Women	8,069,524
3	Substance Abuse – HIV and IV Drug	5,116,378
4	Substance Abuse Prevention – Child	7,186,857
5	Substance Abuse Services – Child	4,940,500
Division of Public Health		
6	Risk Reduction Projects	633,980
7	Aid to Counties	209,576

8	Maternal Health	37,779
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DHHS Administration

DMH/DD/SAS

9	Division of Mental Health	500,000
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SUBSTANCE ABUSE PREVENTION AND TREATMENT

BLOCK GRANT TOTAL		\$48,702,674
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MATERNAL AND CHILD HEALTH BLOCK GRANT

Local Program Expenditures

Division of Public Health

1	Children's Health Services	\$7,534,865
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2	Women's Health	7,701,691
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3	Oral Health	38,041
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DHHS Program Expenditures

Division of Public Health

4	Children's Health Services	1,359,636
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5	Women's Health	135,452
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6	State Center for Health Statistics	179,483
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7	Quality Improvement in Public Health	14,646
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8	Health Promotion	88,746
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9	Office of Minority Health	55,250
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10	Immunization Program	382,648
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DHHS Administration

Division of Public Health

11	Division of Public Health Administration	631,966
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MATERNAL AND CHILD HEALTH BLOCK GRANT TOTAL		\$18,122,424
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PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT

Local Program Expenditures

Division of Public Health

1	NC Statewide Health Promotion	\$1,730,653
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2	Services to Rape Victims	197,112
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3	HIV/STD Prevention and Community Planning (Transfer from SSBG)	145,819
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DHHS Program Expenditures

Division of Public Health

4	NC Statewide Health Promotion	1,699,044
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5	Oral Health	70,000
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6	State Laboratory of Public Health	16,600
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PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT TOTAL		\$3,859,228
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COMMUNITY SERVICES BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity

1	Community Action Agencies	\$16,673,336
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2	Limited Purpose Agencies	926,297
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DHHS Administration

3	Office of Economic Opportunity	926,296
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COMMUNITY SERVICES BLOCK GRANT TOTAL		\$18,525,929
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COMMUNITY SERVICES RECOVERY FUNDS BLOCK GRANT

Local Program Expenditures

Office of Economic Opportunity	
1 Community Action Agencies	\$20,558,584
2 Limited Purpose Agencies	
1,093,541	
DHHS Administration	
3 Office of Economic Opportunity	
218,709	
COMMUNITY SERVICES RECOVERY FUNDS BLOCK GRANT TOTAL	
\$21,870,834	

SECTION 10.64.(b). Provides that if the Congress of the United States increases the federal fund availability for any of the Block Grants administered by DHHS from the amounts appropriated in this section, DHHS shall allocate the increase proportionally across the program and activity appropriations identified for that Block Grant in this section. Prohibits DHHS, in that event, from proposing funding for new programs or activities.

Provides that in event of reduction by Congress in federal funds available for any of the Block Grants administered by DHHS and appropriated in this section, DHHS shall reduce state administration by at least the percentage of the reduction in federal funds. After determining the state administration, the remaining reductions shall be allocated proportionately across the program and activity appropriations identified for that Block Grant in this section.

Requires approval by OSBM prior to allocating the change in federal fund availability. In the event of allocation adjustment under this provision, requires DHHS to report to the Joint Legislative Commission on Governmental Operations, the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division.

SECTION 10.64.(c). Specifies that appropriations from federal block grant funds are made for the fiscal year ending June 30, 2011, according to the schedule enacted for state fiscal year 2009-10 or until a new schedule is enacted by the North Carolina General Assembly.

SECTION 10.64.(d). Requires that all changes to the budgeted allocations to the Block Grants administered by DHHS not specifically addressed in this section be approved by OSBM, and requires report to the Joint Legislative Commission on Governmental Operations for review prior to implementing the changes. Requires immediate report of changes to the budgeted allocations to the Block Grant to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division. Exempts from this subsection Block Grant changes caused by legislative salary increases and benefit adjustments.

CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT

SECTION 10.64.(e) 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 10.64.(f). 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.

ADDITIONAL CHILD CARE AND DEVELOPMENT BLOCK GRANT

SECTION 10.64.(g). Provides that funds from the Child Care and Development Block Grant made available through the American Reinvestment and Recovery Act shall be used to increase access to child care subsidy to the maximum extent possible and shall not be used to supplant other appropriations, regardless of the funding source, for child care subsidy. Directs DHHS Division of Child Development to temporarily adopt policies that facilitate and expedite the prudent expenditure of these funds as outlined in the section. Applies to persons receiving subsidy prior to September 30, 2011, when the Child Care and Development Block grant funds

received through the American Reinvestment and Recovery Act are required to be spent or returned to the federal government.

SECTION 10.64.(h). Allows DHHS to move funds to child care subsidies from other Child Care and Development Fund Block Grant programs if necessary in order to make full use of funds, to extent allowed by law.

SOCIAL SERVICES BLOCK GRANT

SECTION 10.64.(i). Exempts the Social Services Block Grant funds appropriated to the North Carolina Inter-agency Council for Coordinating Homeless Programs 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). Specifies that the Special Children's Adoption Incentive Fund will require 50% local match.

TEMPORARY ASSISTANCE TO NEEDY FAMILIES BLOCK GRANT

SECTION 10.64.(j). Directs DHHS to continue to support on a recurring basis payments to maternity home providers. Establishes budget of \$1,258,000 per year, funded from \$838,000 in TANF Block Grant funds along with federal funds and \$105,000 in state appropriations available to the Department.

PART XI. DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES

REMOVE CAP ON ANIMAL DISEASE DIAGNOSTIC TEST FEES

Section 11.1. Repeals Section 42.1(e) of SL 2005-276 (establishing fees for animal disease diagnostic tests and services).

PESTICIDE REGISTRATION FEE

SECTION 11.2. Amends GS 143-442(b) to increase the annual pesticide registration fee from \$100 to \$150.

PETROLEUM DEVICE TECHNICIAN FEE

SECTION 11.3. Requires the Department of Agriculture and Consumer Services to charge an annual fee of \$20 for the registration of petroleum device technicians.

PLANT CONSERVATION PROGRAM

SECTION 11.4. Requires that \$30,000 for the 2009-10 fiscal year be transferred from funds that are deposited with the State Treasurer pursuant to GS 146-30 to the credit of the Department of Agriculture and Consumer Services (DACS) in a capital improvement account; to DACS to be used for its plant conservation program under Article 19B of GS Chapter 106 for costs incidental to the acquisition of land, such as land appraisals, land surveys, title searches, environmental studies; and for the management of plant conservation program preserves owned by DACS.

PART XII. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

TRANSFER OF CENTER FOR GEOGRAPHIC INFORMATION AND ANALYSIS TO OFFICE OF INFORMATION TECHNOLOGY SERVICES

SECTION 12.1. Transfers the Center for Geographic Information and Analysis from the Department of Environment and Natural Resources (DENR) to the Office of Information Technology Services. Provides that the transfer must have all of the elements of a Type I transfer, as defined in GS 143A-6(a).

MARINE FISHERIES FUNDS FOR THE FISHERY RESOURCES GRANT PROGRAM

SECTION 12.2. Provides that of the funds appropriated in this act to DENR for the Division of Marine Fisheries for the Fishery Resource Grant Program, \$738,771 for each year of the 2009-11 fiscal biennium must be used as follows: (1) \$638,459 for the Fishery Resource Grant Program in accordance with GS 113-200 (Fishery Resource Grant Program) and (2) \$100,312 for river herring research, notwithstanding GS 113-200.

NEUSE RIVER RAPID RESPONSE TEAM

SECTION 12.3. Eliminates the Neuse River Rapid Response Team within DENR and in its place, requires DENR to identify existing resources to develop a statewide rapid response team that will investigate fish kills, spills, algal blooms, and other water quality emergencies throughout North Carolina's watersheds.

ELIMINATE OFFICE OF ENVIRONMENTAL EDUCATION

Repeals Part 4B (Office of Environmental Education) of Article 7 of GS Chapter 143B and transfers the Office's responsibilities to other programs. Transfers the Office's Program Development Coordinator position and the associated functions for strategic planning and assessment of needs for environmental education to the Museum of Natural Sciences. Requires the functions of promoting public use of environmental education centers and developing partnerships to increase participation to be transferred to the Division of Public Affairs to ensure that information to educate about environmental issues is available to the widest possible audience, including education professionals, the general public, and students of all ages.

Requires DENR, as part of the Office elimination, to transfer information about resources of DENR to the following agencies where environmental education functions shall now reside: the Department of Public Instruction's K-12 Curriculum Units, which develop the standard courses of study related to science; the Academic and Student Services Division of the NC Community College System for incorporation into curricula in Agriculture and Natural Resources and other related courses of study; and the University of North Carolina General Administration's Division of Academic Affairs Academic Planning area, which maintains the inventory of programs of the various campuses of the University system and oversees creation of new programs of study. Requires library resources to be transferred to the State Library in the Department of Cultural Resources. Requires DENR to provide links on its Website to direct the public where to find these resources via web-based, interlibrary loan, or other sources.

Requires DENR, the Department of Public Instruction, the NC Community College System, the University of North Carolina, and the Department of Cultural Resources to report to the Office of State Budget and Management (OSBM) by March 1, 2010, on the steps taken to incorporate each of the functions designated for transfer.

APPROPRIATION FOR CLEAN WATER MANAGEMENT TRUST FUND

SECTION 12.5. Provides that notwithstanding GS 113A-253.1(a) for the 2009-11 fiscal biennium only, the appropriation to the Clean Water Management Trust Fund for the 2009-10 fiscal year is \$75 million, and the appropriation for the 2010-11 fiscal year is \$75 million, as provided by this act. Requires that the funds appropriated by this act to the Clean Water Management Trust Fund be used as provided by GS 113A-253.

PART XIII. DEPARTMENT OF COMMERCE

EMPLOYMENT SECURITY COMMISSION FUNDS

SECTION 13.1.(a). Requires that funds from the Employment Security Commission Reserve Fund be available to the Employment Security Commission of North Carolina to use as collateral to secure federal funds and to pay the administrative costs associated with the collection of the Employment Security Commission Reserve Fund surcharge. Caps the total administrative costs paid with funds from the Reserve in the 2009-10 fiscal year at \$2.5 million.

SECTION 13.1.(b). Appropriates from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina \$20 million for the 2009-10 fiscal year to be used for the following purposes: (1) \$19.7 million for the operation and support of local ESC offices; (2) \$200,000 for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in state education and training programs; and (3) \$100,000 to maintain compliance with GS Chapter 96, which directs the Commission to employ the Common Follow-Up Management Information System to evaluate the effectiveness of the state's job training, education, and placement programs.

SECTION 13.1.(c). Appropriates from the Employment Security Commission Reserve Fund to the Employment Security Commission of North Carolina an amount not to exceed \$1 million for the 2009-10 fiscal year to fund state initiatives not currently funded through federal grants.

CHANGE SAFETY EDUCATION SECTION TO RECEIPT SUPPORT

SECTION 13.2. Requires the Safety Education Section of the Industrial Commission (Commission) to become fee supported effective July 1, 2010. Authorizes the Industrial Commission to establish a fee schedule for all services provided by the Safety Education Section to support the operations of this program.

INDUSTRIAL COMMISSION FEES/COMPUTER SYSTEM REPLACEMENT

SECTION 13.3.(a). Allows the North Carolina Industrial Commission to continue to retain the additional revenue generated as a result of the increase in the fee charged to parties for the filing of compromised settlements from the previous amount of \$200 to the new fee not to exceed \$325. Requires these funds to be used for replacing existing computer hardware and software used for the operations of the Commission. Allows these funds to be used to prepare any assessment of hardware and software needs prior to purchase and to develop and administer the needed database(s) and new Electronic Case Management System, including the establishment of two time-limited positions for application development and support and mainframe migration. Prohibits the Commission from retaining any fees under this section unless they are in excess of the former \$200 fee charged by the Commission for filing a compromised settlement.

SECTION 13.3.(b). Provides that nothing in this section is to be deemed to limit or restrict the Commission's authority to increase fees for purposes other than those indicated in subsection (a).

SECTION 13.3.(c). Provides that unexpended and unencumbered fees retained by the Industrial Commission under subsection (a) do not revert to the General Fund on June 30 of each fiscal year, but instead remain available to the Commission for the purposes stated in subsection (a).

SECTION 13.3.(d). Allows the Commission to retain additional fees as authorized by subsection (a) for the 2009-11 biennium.

NC GREEN BUSINESS FUND

SECTION 13.4. Allows the Department of Commerce (DOC) to use up to \$50,000 in the 2009-10 fiscal year of the funds appropriated to the NC Green Business Fund for prior fiscal years that are unencumbered and unexpended as of June 30, 2009, or that become unencumbered and unexpended thereafter, if necessary, to cover DOC's expenses in administering the NC Green Business Fund.

ONE NORTH CAROLINA FUND

SECTION 13.5. Allows DOC to use up to \$300,000 of the funds appropriated to the One North Carolina Fund for prior fiscal years that are unencumbered and unexpended as of June 30, 2009, or that become unencumbered and unexpended thereafter, to cover its expenses in administering the One North Carolina Fund and other economic development incentive grant programs during the 2009-10 fiscal year.

EXTEND JOB DEVELOPMENT INVESTMENT GRANT PROGRAM

SECTION 13.6. Amends GS 143B-437.62 to extend the authority of the Economic Investment Committee to enter into new agreements from January 1, 2010, to January 1, 2012.

PART XIV. JUDICIAL DEPARTMENT

JUDICIAL DEPARTMENT GRANT FUNDS

SECTION 14.1. Permits the Judicial Department (Department) to use up to \$1.5 million during the 2009-10 fiscal year from the funds available to the Department to provide the state match needed in order to receive grant funds. Directs the Department, prior to using the funds for this purpose, to report to the chairs of the House of Representatives and the Senate

Appropriations Subcommittees on Justice and Public Safety and to the Joint Legislative Commission of Governmental Operations on the grants to be matched using the funds.

GUIDELINES FOR MAXIMIZING EFFICIENCY OF PROCEEDINGS

SECTION 14.2. Directs the Administrative Office of the Courts (AOC) to develop guidelines by December 1, 2009, to maximize the efficient use of the time of probation officers and court personnel participating in probation revocation proceedings. Provides that the AOC may also choose to adopt guidelines for maximizing the efficient use of the time of law enforcement personnel participating in the Criminal District Courts.

ELIMINATE SENTENCING SERVICES PROGRAM

SECTION 14.3. Repeals Article 61, the *Sentencing Services Act*, of GS Chapter 7A.

INCREASE COURT FEES

SECTION 14.4. Authorizes the AOC to increase various court fees by a total of \$10.

PART XV. DEPARTMENT OF JUSTICE

INCREASE CRIME LAB ANALYSIS FEE

SECTION 15.1. Amends GS 7A-304(7) to provide that upon the defendant's conviction, the district or superior court judge is to order the payment of \$600 (was, \$300) to the Department of Justice for the services of the State Bureau of Investigation laboratory facilities.

PART XVI. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

ESTABLISHMENT OF A GANG PREVENTION AND INTERVENTION PILOT PROGRAM

SECTION 16.1. Directs the Department of Juvenile Justice and Delinquency Prevention (DJJDP) to establish a two-year Gang Prevention and Intervention Pilot Program as part of the Governor's Comprehensive Gang Initiative, that will focus on youth at risk for gang involvement and those who are already associated with gangs and gang activity. Directs the DJJDP to: (1) ensure that measurable performance indicators and systems are put in place to evaluate the effectiveness of the pilot program, and (2) conduct both process and outcome-focused evaluations of the pilot program to determine community and institutional impacts of the pilot program pertaining to gang behavior, desistance, and/or activities.

ELIMINATE SUPPORT OUR STUDENTS PROGRAM

SECTION 16.2. Repeals Part 5A (created the *Support Our Students* program in the Department of Health and Human Services) of Article 3 of GS Chapter 143B.

PART XVII. DEPARTMENT OF CORRECTION

INMATE ROAD SQUADS AND LITTER CREWS

SECTION 17.1. Requires that of the funds appropriated to the Department of Transportation (DOT) in this act, \$11.3 million per year is to be transferred in 2009-10 and 2010-11 to the Department of Correction (DOC) for the cost of operating medium custody inmate road squads, as authorized by GS 148-26.5, and minimum custody inmate litter crews. Directs that the transfer be made each quarter in the amount of \$2,825,000. Permits DOT to use funds appropriated in this act to pay an additional amount exceeding the \$11.3 million but provides that those payments are to be subject to negotiations among DOT, DOC, and the Office of State Budget and Management (OSBM) prior to payment by DOT.

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

SECTION 17.2. Allows the DOC to use funds available to it for the 2009-11 fiscal biennium to pay \$40 per day as reimbursement to counties for the cost of housing convicted inmates,

parolees, and post-release supervisees awaiting transfer to the state prison system, as provided in GS 148-29.

USE OF CLOSED PRISON FACILITIES

SECTION 17.3. Directs the DOC, in conjunction with the closing of prison facilities, to consult with the county or municipality in which the unit is located, with the elected state and local officials, and with state agencies about the possibility of converting that unit to other use. Also permits the DOC to consult with any private for-profit or nonprofit firm about the possibility of converting the unit to other use. Directs the DOC to give priority in a proposal for the future use of each unit to converting the unit to other criminal justice use. Provides that a prison unit under lease to a county pursuant to the provisions of this section 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.

Directs the DOC to report, prior to any transfer or lease of these units, on the terms of the proposed transfer or lease, to the Joint Legislative Commission on Governmental Operations (Commission) and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee (Committee). Also, requires the DOC to provide annual summary reports to the Commission and the Committee on the conversion of these units to other use and on all leases or transfers entered into pursuant to this section.

FEDERAL GRANT MATCHING FUNDS

SECTION 17.4. Authorizes the DOC to use up to \$1 million of its available funds during the 2009-10 fiscal year to provide the state match needed in order to receive federal grant funds. Requires the DOC, prior to using funds for this purpose, to report to the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

CRIMINAL JUSTICE PARTNERSHIP

SECTION 17.5. Provides that the DOC may reallocate unspent or unclaimed funds distributed to counties participating in the State-County Criminal Justice Partnership Program in an effort to maintain the level of services realized in previous fiscal years (notwithstanding the provisions of GS 143B-273.15 specifying that grants to participating counties are for the full fiscal year and that unobligated funds are returned to the State-County Criminal Justice Partnership Account at the end of the grant period.)

ENERGY COMMITTED TO OFFENDERS/CONTRACT AND REPORT

SECTION 17.6. Authorizes the DOC to continue to contract for the 2009-11 fiscal biennium with Energy Committed To Offenders, Inc., for the purchase of prison beds for minimum security female inmates. Requires Energy Committed To Offenders, Inc., to report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the annual cost per inmate and the average daily inmate population compared to bed capacity using the same methodology as that used by the DOC.

PART XVIII. OFFICE OF STATE BUDGET AND MANAGEMENT

MILITARY MORALE, RECREATION, AND WELFARE FUNDS

SECTION 18.1.(a). Appropriates \$1 million from the General Fund to a Reserve for the Military Morale, Recreation, and Welfare Fund in the Office of State Budget and Management (OSBM) in the 2009-10 fiscal year. Requires OSBM to distribute the funds for the purposes described in this section. Requires the amount to be distributed to each military installation on a per capita basis. Requires funds distributed to a military installation exchange under this section to be deposited in the Military Morale, Recreation, and Welfare Fund for that installation and used only for community services and other expenditures to improve quality of life programs for military members and their families in North Carolina.

LICENSING BOARD REPORTING REQUIREMENT

SECTION 18.2. Amends GS 93B-2(b) to require each occupational licensing board to also file with OSBM a financial report that includes the source and amount of all funds credited to the occupational licensing board and the purpose and amount of all funds disbursed by the occupational licensing board during the previous 12-month period.

GOVERNMENT BUDGET AND EFFICIENCY REFORM

SECTION 18.3. Allows OSBM to use available funds to identify and implement efficiencies and government reorganization in compliance with GS 143B-12, 143B-10, and 143B-28. Provides for what the efficiencies include. Provides that where appropriate, such studies must be conducted in consultation with other regulatory or oversight agencies, such as the Office of State Personnel, the Office of State Controller, the Division of Purchase & Contract, the Fiscal Research Division, or the Office of the Chief Information Officer. Allows OSBM to contract with outside resources where necessary and appropriate.

STAFFING ANALYSIS OF STATE AGENCY BUSINESS FUNCTIONS

SECTION 18.4. Repeals Section 6.7(a) and (c) of SL 2007-323. Section 6.7 of SL 2007-323 is amended by requiring OSBM to conduct annual follow-up analyses of the core business functions of state government agencies, and report on its findings to the Chairs of the House of Representatives Appropriations Committee, to the Chairs of the Senate Committee on Appropriations/Base Budget, to the Joint Legislative Oversight Committee on Information Technology, and to the Fiscal Research Division, using the same format as prior years, to provide comparative information regarding staffing requirements for central business functions of State government. Requires the report to be due by March 1, 2010, and March 1, 2011.

PART XIX. DEPARTMENT OF STATE TREASURER

ESCHEAT FUND TRANSFERS TO STATE EDUCATION ASSISTANCE AUTHORITY

SECTION 19.1. Requires the income earned in 2008-09 and derived from the investment or deposit of the Escheat Fund to be distributed in two semiannual payments to the State Education Assistance Authority. Requires the payments to be made on or before July 15, 2009, and on or before November 15, 2009.

PART XX. DEPARTMENT OF REVENUE

20% COLLECTION ASSISTANCE FEE

SECTION 20.1. Amends GS 105-243.1(e) to allow the Department of Revenue to also apply the collection assistance fee proceeds toward paying for the replacement of the integrated tax administration system (ITAS) and related e-Business initiatives, not to exceed \$40 million.

PART XXI. NORTH CAROLINA TURNPIKE AUTHORITY

NORTH CAROLINA TURNPIKE AUTHORITY

SECTION 21.1. Amends GS 136-89.182 to provide that the North Carolina Turnpike Authority (Authority) must be subject to and under the direct supervision of the Secretary of Transportation (was, the Authority exercises all of its powers independently of the Department Of Transportation except as otherwise provided in the Article). Requires the transfer to be treated as a Type I transfer. Amends the membership of the Authority to provide that members (was, no more than two members) of the Board of Transportation may serve as members of the Authority Board.

PART XXII. DEPARTMENT OF TRANSPORTATION

SECTION 22.1. Amends GS 20-7(i1) to remove the \$75 restoration fee for a person whose driver's license has been revoked under GS 20-17(2) (until the end of the fiscal year in which the cumulative amount of the fee deposited in the General Fund exceeds \$10 million) and instead includes those individuals subject to the \$50 restoration fee. Makes conforming changes. Removes language regarding the intent to annually appropriate funds to the UNC Board of Governors for the Center for Alcohol Studies Endowment at UNC-Chapel Hill, not to exceed \$10 million.

CASH FLOW HIGHWAY FUNDS AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 22.2. Authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2011-2012	\$1,736.5 million
For Fiscal Year 2012-2013	\$1,835.2 million
For Fiscal Year 2013-2014	\$1,945.3 million
For Fiscal Year 2014-2015	\$2,008.7 million

SECTION 22.3. Authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2011-2012	\$ 950.4 million
For Fiscal Year 2012-2013	\$1,006.9 million
For Fiscal Year 2013-2014	\$1,066.4 million
For Fiscal Year 2014-2015	\$1,108.3 million

PART XXIII. SALARIES AND BENEFITS

BONUS LEAVE IN LIEU OF LONGEVITY PAYMENTS

SECTION 23.1. Requires that state employees eligible for longevity pay instead receive bonus leave for the 2009-10 biennium as follows:

More than 10 years of service, but less than 15:	32 hours
15 years or more, but less than 20:	48 hours
20 years or more, but less than 25:	68 hours
25 years or more:	94 hours

Provides that retirement pay for teachers and state employees with 26 years or more service is to be based on their salary plus the amount of longevity that would have been a part of their salary computation during the 2009-2011 fiscal biennium.

GOVERNOR AND COUNCIL OF STATE

SECTION 23.2(a). Sets the Governor's salary at \$139,590.

SECTION 23.2(b). Sets salaries for the 2009-2010 and 2010-2011 fiscal years at:

	Lieutenant Governor	\$
123,198	Attorney General	
123,198	Secretary of State	
123,198	State Treasurer	
123,198	State Auditor	
123,198	Superintendent of Public	
Instruction	Agriculture Commissioner	123,198
123,198	Insurance Commissioner	
123,198		

123,198	Labor Commissioner
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NONELECTED DEPARTMENT HEAD/SALARIES

SECTION 23.3. Sets salaries for 2009-2010 and 2010-2011 fiscal years at:
Nonelected Department Heads

		Annual
Salary		
	Secretary of Administration	\$
120,363		
	Secretary of Correction	
120,363		
	Secretary of Crime Control and Public Safety	
120,363		
	Secretary of Cultural Resources	
120,363		
	Secretary of Commerce	
120,363		
	Secretary of Environment, Health, and Natural	
Resources	120,363	
	Secretary of Human Resources	
120,363		
	Secretary of Revenue	
120,363		
	Secretary of Transportation	
120,363		

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARIES

SECTION 23.4. Sets salaries for 2009-2010 and 2010-2011 fiscal years at:
Executive Branch Officials

		Annual
Salary		
	Chairman, Alcoholic Beverage Control Commission	\$
109,553		
	State Controller	
153,319		
	Commissioner of Motor Vehicles	
109,553		
	Commissioner of Banks	
123,198		
	State Personnel Director	
120,363		
	Chairman, Parole Commission	
100,035		
	Members of the Parole Commission	
46,178		
	Chairman, Utilities Commission	
137,203		
	Members of the Utilities Commission	
123,198		
	Executive Director, Agency for Public Telecommunications	
92,356		
	Director, Museum of Art	
112,256		
	Executive Director, North Carolina Agricultural Finance Authority	
106,635		
	State Chief Information Officer	
153,227		

JUDICIAL BRANCH OFFICIALS/SALARIES

SECTION 23.5(a). Sets salaries 2009-2010 and 2010-2011 fiscal years at:

Salary	Judicial Branch Officials	Annual
	Chief Justice, Supreme Court	\$
140,932		
	Associate Justice, Supreme Court	
137,249		
	Chief Judge, Court of Appeals	
135,061		
	Judge, Court of Appeals	
131,531		
	Judge, Senior Regular Resident Superior Court	
127,957		
	Judge, Superior Court	
124,382		
	Chief Judge, District Court	
112,946		
	Judge, District Court	
109,372		
	District Attorney	
119,305		
	Administrative Officer of the Courts	
126,738		
	Assistant Administrative Officer of the Courts	
115,763		
	Public Defender	
119,305		
	Director of Indigent Defense Services	
123,022		

SECTION 23.5(b). Authorizes district attorneys and public defenders to set their assistants' salaries, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, to average not to exceed \$69,047 and a minimum of \$36,082, effective July 1, 2009.

SECTION 23.5(b1). Contains same language as SECTION 23.5(b) for salaries of assistant district attorneys and assistant public defenders, but different amounts: average not to exceed \$70,946, and minimum of \$37,182.

SECTION 23.5(c). Provides for no increase in annual salaries of permanent, full-time employees of the Judicial Department whose salaries are not itemized, effective July 1, 2009.

SECTION 23.5(d). Same language as SECTION 23.5(c) for part-time Judicial Department employees.

SECTION 23.5(e). Restates current GS 7A-498.6(a) regarding the process for appointing the Director of Indigent Defense Services."

SECTION 23.5(f). Restates current GS 7A-498.6(c), regarding compensation of the Director of Indigent Defense Services.

SUSPEND STEP INCREASES FOR MEMBERS OF THE STATE HIGHWAY PATROL

SECTION 23.7. Suspends annual salary step increases for State Highway Patrol for the 2009-2010 fiscal year only.

SUSPEND STEP INCREASES FOR ASSISTANT CLERKS AND DEPUTY CLERKS

SECTION 23.8. Suspends annual salary step increases for assistant clerks and deputy clerks for the 2009-2010 fiscal year only.

SUSPEND STEP INCREASES FOR MAGISTRATES

SECTION 23.9. Suspends annual salary step increases for magistrates for the 2009-2010 fiscal year only.

LEGISLATIVE EMPLOYEES

SECTION 23.14. Provides for no increase in the salaries of nonelected employees of the General Assembly for fiscal year 2009-2010.

COMMUNITY COLLEGES PERSONNEL/SALARIES

SECTION 23.15. Provides for no transfer from the Reserve for Compensation for increases for salary increases for permanent full-time community college institutional personnel.

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARIES

SECTION 23.16. Provides for no transfer from the Reserve for Compensation Increases for salary increases for employees of the University of North Carolina and for employees and teachers of the North Carolina School of Science and Mathematics, whose salaries are exempt from the State Personnel Act (EPA).

MOST STATE EMPLOYEES

SECTION 23.17(a). Provides for no increase in salaries of permanent full-time state employees whose salaries are set in accordance with the State Personnel Act, and who are paid from the General Fund or the Highway Fund, unless otherwise provided.

SECTION 23.17(b). Provides for no increase in salaries for fiscal year 2009-2010 for 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, unless otherwise provided.

ALL STATE-SUPPORTED PERSONNEL

SECTION 23.18. Provides that salaries and related benefits for positions that are funded partially from the General Fund or Highway Fund and partially from sources other than the General Fund or Highway Fund will be increased from the General Fund or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund. Provides that the granting of the salary increases does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required.

TEACHER SALARY SCHEDULES

SECTION 23.19(a). Authorizes transfer from the Reserve for Compensation funds necessary to implement the teacher salary schedules and retirement and Social Security contributions for teachers.

SECTION 23.19(b). Provides new monthly salary schedules for the 2009-2010 fiscal year for public school teachers. Salaries range from \$3,043 to \$5,255 for "A" Teachers and \$3,656 to \$5,886 for those that are not NBPTS certified and \$3,347 to \$5,781 for "M" Teachers and \$4,021 to \$6,475 for those that are NBPTS certified.

SECTION 23.19(c). Sets lump sum annual longevity payments for teachers at 1.5% of base salary for 10 to 14 years of state service, 2.25% for 15 to 19 years of service, 3.25% for 20 to 24 years of service, and 4.5% of base salary for 25 years or more of service.

SECTION 23.19(d). Sets supplement for public schoolteachers with certification based on academic preparation at the six-year degree level at \$126 and \$253 for the doctoral level.

SECTION 23.19(e). Sets first step of the salary schedule for school psychologists at step 5 for "M" teachers, with supplements of \$126 for academic preparation at the six-year degree level and \$253 for the doctoral level.

SECTION 23.19(f). Sets speech pathologist salary at same level as school psychologists.

SECTION 23.19(g). Provides certified school nurse salary at the "M" schedule for teachers.

SECTION 23.19(h) Provides that for salary purposes, instructional support personnel are considered teachers.

SCHOOL BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 23.20(a). Authorizes transfer from the Reserve for Compensation funds necessary to implement the principal and assistant principal salary schedules.

SECTION 23.20(b). Provides new monthly salary schedules for the 2009-10 fiscal year for public school principals and assistant principals.

SECTION 23.20(c). Provides a schedule for placement of principals and assistant principals on the salary schedule based on number of teachers supervised.

SECTION 23.20(d). Provides a method for placement of a principal or assistant principal on the salary schedule according to experience. Authorizes continued payment of increases earned for the 1997-1998, 1998-1999, and 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 23.20(e). Sets supplement for principals and assistant principals with certification based on academic preparation at the six-year degree level at \$126 and \$253 for the doctoral level.

SECTION 23.20(f). Sets longevity pay for principals and assistant principals as provided for State employees under the State Personnel Act.

SECTION 23.20(g). Provides a method for setting salary of a principal reassigned to a higher or lower job classification because the principal is transferred to a school within a local school administrative unit with a larger or smaller number of state-allotted teachers.

SECTION 23.20(h). Provides for a stipend for participants in an approved full-time master's in school administration program.

SECTION 23.20(i). Provides that during the 2009-10 fiscal year placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate will be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

CENTRAL OFFICE SALARIES

SECTION 23.21(a). Provides a salary schedule for assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2009-10 fiscal year.

SECTION 23.21(b). Provides new monthly salary schedules for superintendents for the 2009-10 fiscal year.

SECTION 23.21(c). Provides that longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers is as provided for state employees under the State Personnel Act.

SECTION 23.21(d). Sets supplements for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level at \$126 and \$253 for the doctoral level.

SECTION 23.21(e). Prohibits local school administrative units from transferring state funds from other funding categories for salaries for public school central office administrators.

BONUS FOR CERTIFIED PERSONNEL AT THE TOP OF THEIR SALARY SCHEDULES

SECTION 23.22. Provides for a 2% bonus for any permanent personnel employed on July 1, 2009, and paid at the top of the principal and assistant principal salary schedule. Provides for a 1.8% bonus for permanent certified personnel employed on July 1, 2009, and paid on the teacher salary schedule with 31+ years of experience.

FREEZE LONGEVITY PAYMENTS/HOLD HARMLESS EMPLOYEES WHO RETIRE

SECTION 23.23. Freezes teacher and state employee longevity payments for fiscal years 2009-10 and 2010-11. Provides that teachers' and state employees' final retirement calculations shall be held harmless from this longevity reduction. Provides that for those employees with 26 years or more of service, basis for the calculation of retirement pay shall be based upon their salary plus the amount of longevity that would have been a part of their salary computation during the 2009-11 fiscal biennium.

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 23.24 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 only to the extent of the proportionate part paid from the General Fund or the Highway Fund. Specifies the State's employer contribution rates and amounts for benefits. Appropriates \$125 million for 2009-10 and \$228 million for 2010-11 from the General Fund to the Reserve for State Health Plan to cover health care and administrative costs in the 2009-11 biennium. Appropriates \$5.2 million for 2009-10 and \$10.6 million for 2010-11 from the Highway Fund to the Reserve for State Health Plan to cover health care and administrative costs in the 2009-10 biennium.

BUDGET HEALTH CARE PREMIUMS AT ACTUAL COSTS

SECTION 23.25. Provides that funds for employer-paid health care premiums will be budgeted at actual costs.

PART XXIV. REVENUE LAW CHANGES

SMALL BUSINESS TAX RELIEF

SECTION 24.1 Amends GS 105-130.3 to provide new exemption from state taxes for a C Corporation, to be apportioned as required, in the following amount state net income of: \$100,000 or less-- \$25,000; over \$100,000 through \$200,000--\$12,500; none over \$200,000. Effective January 1, 2010.

CIGARETTE INCREASE

SECTION 24.2. Amends GS 105-113.5 to increase the tax on cigarettes to 6.75 cents per cigarette. Effective September 1, 2009.

FOUNDER'S CREDIT

SECTION 24.3(a). Adds new subdivision (23) to GS 105-130.5(b) allowing deduction of gain less the amount of the credit recaptured in GS 105-163.021 for qualified businesses.

SECTION 24.3(b). Adds new subdivision (19) to GS 105-134.6(b) allowing deduction of gain less the amount of the credit recaptured in GS 105-163.021 for qualified businesses for S Corporations.

SECTION 24.3(c). Adds new GS 105-163.020 to allow exclusion for gain from the sale or exchange of qualified securities and pass-through gains. Adds new GS 105-163.021 to allow recapture of tax credits previously claimed for qualified securities. Adds new GS 105-163.022 to define qualified securities for tax purposes. Adds new GS 105-163.023 to provide rules for calculating qualified securities tax consequences.

EARNED INCOME TAX CREDIT

SECTION 24.4(a). Amends GS 105-151.31(a) to increase the earned income credit from 5% to 6.5% effective for taxable years beginning on or after January 1, 2010.

OTHER TOBACCO PRODUCTS

SECTION 24.5. Amends GS 105-113.35 to increase the excise tax on tobacco products other than cigarettes from 10% to 28%, of which 21% (was, 3%) is deposited in the General Fund and the remainder in the Cancer Research Fund established pursuant to GS 116-29.1.

WATERSENSE SALES TAX HOLIDAY

SECTION 24.6. Amends GS 105-164.13D by adding WaterSense labeled toilets and faucets to the products that qualify for the sales and use tax holiday each November.

PROFESSIONAL BUSINESS FEES

SECTION 24.7. Amends GS 105-41(a) to increase the license fee for attorneys and other specified professionals from \$50 to \$200. Amends GS 105-41(c) to increase the license fee for an accountant or manager of an accountant from \$50 to \$200.

CAREGIVER TAX CREDIT

SECTION 24.8. Adds new GS 105-151.33 to allow taxpayers a tax credit up to 10% of the amount paid for qualified caregiving expenses, not to exceed \$150 or the taxpayer's income tax liability, whichever is less. Provides definitions and restrictions for calculating the credit. Effective January 1, 2010.

PART XXV. CAPITAL APPROPRIATIONS

GENERAL FUND CAPITAL APPROPRIATIONS/INTRODUCTION

SECTION 25.1. Provides that the appropriations made by the 2009 General Assembly for capital improvements are for constructing, repairing, or renovating State buildings, utilities, and other capital facilities, for acquiring sites for them where necessary, and acquiring buildings and land for State government purposes.

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 25.2. Appropriates the following amount from the General Fund for the 2009-10 fiscal year for capital improvements:

Capital Improvements – General Fund	2009-2010
Department of Environment and Natural Resources	
Water Resources Development Projects	17,600,000
University of North Carolina at Chapel Hill	
Biomedical Research Imaging Center	10,000,000
TOTAL CAPITAL IMPROVEMENTS – GENERAL FUND	\$27,600,000

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 25.3.(a) Requires the Department of Environment and Natural Resources (DENR) to allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

Name of Project	2009-2010
(1) AIWW Dredging	-
(2) Aquatic Obstruction Removal – Statewide	300,000
(3) Aquatic Plant Control	300,000
(4) B. Everett Jordan Lake Water Supply Storage	200,000
(5) Bald Head Island Beach Renourishment	5,000,000
(6) Beaufort Harbor Maintenance	50,000
(7) Belhaven Harbor Feasibility	-
(8) Bogue Banks Beach Protection	-
(9) Carolina Beach Renourishment	738,000
(10) Carolina Beach South (Kure Beach) Renourishment	842,000
(11) Concord Stream Restoration (Cabarrus County)	350,000
(12) Currituck Sound Environmental Restoration	100,000
(13) Dredging Contingency Fund	-
(14) Emerald Isle Boat Launch	1,000,000
(15) John H. Kerr Dam and Reservoir	-
(16) Little Fork Creek (Rendezvous State Park)	400,000
(17) Manteo (Shallowbag) Bay Maintenance Dredging	-
(18) Morehead City Harbor Maintenance	-
(19) Mountain to the Sea Trail – Water Based Recreation	250,000
(20) N.C. International Terminal Feasibility Study	-

(21)	Nags Head Beach Renourishment	2,000,000
(22)	Neuse River Basin Restoration	-
(23)	Ocean Isle Beach Renourishment	1,211,000
(24)	Planning Assistance to Communities	75,000
(25)	Princeville Flood Control	100,000
(26)	State/Local WRD Grants	1,000,000
(27)	Surf City – North Topsail Beach Protection (Pender County)	-
(28)	West Onslow Beach (Topsail Beach, Pender County)	75,000
(29)	Wilmington Harbor Deepening	1,300,000
(30)	Wilmington Harbor Maintenance	-
(31)	Wilson Bay Restoration (Onslow County)	250,000
(32)	Wrightsville Beach Renourishment	<u>2,059,000</u>
TOTALS		<u>\$17,600,000</u>

SECTION 25.3.(b) Provides that where the actual costs are different from the estimated costs under subsection (a), DENR may adjust the allocations among projects as needed. If any projects funded under subsection (a) are delayed and the budgeted State funds cannot be used during the 2009-10 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, DENR may use the resulting fund availability to fund any of the following: (1) US Army Corps of Engineers project feasibility studies; (2) US Army Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2009-10; and (3) State-local water resources development projects. Provides that funds not expended or encumbered for these purposes revert to the General Fund at the end of the 2010-11 fiscal year.

SECTION 25.3.(c) Requires DENR to make semiannual reports on the use of these funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division, and the Office of State Budget and Management. Requires each report to include: (1) all projects listed in this section; (2) the estimated cost of each project; (3) the date that work on each project began or is expected to begin; (4) the date that work on each project was completed or is expected to be completed; and (5) the actual cost of each project. Requires the semiannual reports to also show those projects advanced in schedule, those projects delayed in schedule, and an estimate of the amount of funds expected to revert to the General Fund.

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 25.4. Requires the appropriations made by the 2009 General Assembly for capital improvements to be disbursed for the purposes provided by this act. Prohibits the expenditure of funds from being made by any state department, institution, or agency until an allotment has been approved by the Governor; allotments are to be approved only after full compliance with the State Budget Act. Requires, before the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget to approve the elements of the method of financing of those projects including the source of funds, interest rate, and liquidation period. Provided, however, that if the Director of the Budget approves the method of financing a project, the Director must report that action to the Joint Legislative Commission on Governmental Operations at its next meeting.

Where direct capital improvement appropriations include the purpose of furnishing fixed and movable equipment for any project, those funds for equipment are subject to transfer into construction accounts except as authorized by the Director of the Budget. The expenditure of funds for fixed and movable equipment and furnishings must be reviewed and approved by the Director of the Budget before commitment of funds.

Requires capital improvement projects authorized by the 2009 General Assembly to be completed within the limits of the amounts of the direct or self liquidating appropriations provided, except as otherwise provided in this act.

BIOMEDICAL RESEARCH IMAGING CENTER

SECTION 25.5. States the General Assembly's intention, in addition to \$10 million appropriated herein for FY 2009-10, to authorize a total of \$229.5 million of debt financing in

subsequent years to complete the Biomedical Research Imaging Center at UNC-Chapel Hill. Provides that debt repayment will be shared, with the General Fund providing 70%, the University of North Carolina at Chapel Hill providing 15%, and UNC Hospitals providing 15% of debt service. In order to meet the cash flow requirements for construction of the project, it is anticipated that the following debt issuance schedule will be required:

Fiscal Year	Amount
2010-2011	\$85,000,000
2011-2012	\$55,000,000
2012-2013	\$85,000,000
2013-2014	\$4,500,000

Authorizes UNC-Chapel Hill and UNC Health Care to use interim financing to keep this project on schedule, in an amount not to exceed \$25 million from funds available to UNC-Chapel Hill from gifts, grants, receipts, self-liquidating indebtedness, Medicare reimbursements for education costs, or other funds, or any combination of these funds, but not including funds received for tuition or appropriated from the General Fund of the State. This financing will be subject to the approval of the President and the Board of Governors of the University of North Carolina. All interim debt will be reimbursed to the UNC-Chapel Hill and UNC Health Care from the proceeds of permanent indebtedness issued by the State pursuant to the schedule of issuance authorized in this provision and will be accomplished within 60 days of issuance.

BIOMEDICAL RESEARCH IMAGING CENTER INCOME FROM PATENTS

SECTION 25.6. Provides that the State is to receive 10% of the gross royalties derived from licensing or income from assignment or sale of any patent resulting from research or other activities conducted at, by or under the auspices of the Biomedical Research Imaging Center (BRIC), or developed with the aid of the BRIC's facilities, staff, or funds. This provision shall supersede any other provision, statute, policy, rule, or regulation regarding income from patents related to the BRIC.

CAPITAL IMPROVEMENT PROJECTS UTILIZING FEDERAL RECOVERY FUNDS

SECTION 25.7. Notwithstanding the provisions of Article 8 of GS Chapter 143C, the Director of the Budget may authorize the construction of a capital improvement project not specifically authorized by the General Assembly if such project is to be funded by the American Recovery and Reinvestment Act of 2009. The Director of the Budget must report to the Joint Legislative Commission on Governmental Operations on any capital project authorization made under this subsection no later than 30 days after making the authorization.

Prior to authorizing the construction of a capital improvement project with an estimated cost greater than \$2 million the Director must consult with the Joint Legislative Commission on Governmental Operations. If the Commission does not hold a meeting to hear the consultation within 30 days of receiving the submission of the report, the consultation requirement is satisfied.

Effective when the section becomes law.

PART XXVI. MISCELLANEOUS PROVISIONS

EFFECTIVE DATE

SECTION 26.5. Except as otherwise provided, this act becomes effective July 1, 2009.

Intro. by Garrou.

GS 105, 7A, 20, 136, 93B, 143B, 143, 131E, 131D, 130A, 108A, 150B, 110, 116, 115D, 7B, 115C, 143C, 147, Approp