2003

HOUSE APPROPRIATIONS

COMMITTEE MINUTES

HOUSE MEETINGS OF THE APPROPRIATIONS COMMITTEE

2003 SESSION

March 5, 2003	Governor's Budget Briefing (JOINT)
March 6, 2003	Presentation of Governor's Budget
March 11, 2003	Reports From: (JOINT) Dept. of Corrections Dept of Crime Control & Public safety Dept. of Juvenile Justice & Delinquency Prevention Dept. of Environment and Natural Resources Dept. of Commerce
March 12, 2003 8:30 A.M.	Reports from: Public Schools Community Colleges UNC System
March 12, 2003 1:30 P.M.	Governor's Efficiency Commission
March 13, 2003	Report of UNC System (JOINT)
April 14, 2003	HB 853 – Governor's Budget Bill
June 9, 2003	HB 150 - Establish State Education Grants HB 684 - Psychiatric Hospital Financing

	SB 714	Compensation/Public School Employees/Active Duty
	SB 912	Sexual Battery
	HB 1019	I-40 US Veterans Memorial Hwy
	HB 1232	Food Safety and Security Funds
	HB 1245	Provide an Annual Increment to all Teachers
	HB 815	Detox Facilities Not Subject to Con
June 19, 2003	HB 1316	N. C. Travel & Tourism Investment Act
July 9, 2003	HB 1170	Enhance Local Retirement Benefits
	SB 226	Unauthorized Admin. Of Meds by Child Care Facility
	HB 932	Est. Reg'l Interagency Coordinating Council
	HB 806	Rebate and Grant Program for AFVS
July 10, 2003	HB 543	Broaden Coverage/Fire & Rescue Pension
	HB 1224	UNC Nonappropriated Capital Projects
July 16, 2003	HB 327	Increase Penalty for Certain Bomb Offenses
	HB 732	Street Gang Terrorism Prevention
	HB 831	Coastal Rec. Fishing License/Fund
	HB 1091	Penalty for Illegal Indoo Pyro
	SB 226	Unauthorized Admin. Meds by Child Care Facility
	SB 568	Supt. Of Public Inst. Appointed
	SB 867	Arson/Serious Injury to Firefighter

HOUSE APPROPRIATIONS COMMITTEE

2003 SESSION

Co-Chairs
Representative Rex Baker
Representative Debbie Clary
Representative Jim Crawford
Representative Beverly Earle
Representative Robert Grady
Representative Bill Owens
Representative Wilma Sherrill
Representative Thomas Wright

COMMITTEE ASSISTANTS

Linda A. Johnson
Rosa Kelley
Anne Misenheimer
Peggy Murray
Ann Raeford
Vanda Wilson-Wormack
Linda Winstead
Shirley Winstead

RULES FOR HOUSE APPROPRIATIONS

April 14, 2003

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Money can only be transferred among items within the same subcommittee.

2. Amendments cannot increase total spending within a subcommittee report beyond what the subcommittee recommended.

3. Amendments cannot increase total spending beyond the total amount shown in the draft committee report.

4. Amendments cannot spend reversions.

5. Nonrecurring reductions cannot be used to fund recurring items.

6. Amendments that cause the budget to be unbalanced are not in order.

7. Amendments that provide expansion funding in the second year of the biennium are not allowed.

8. Amendments proposing to include material not directly related to the budget are not in order.

9. Amendments must be in writing, with 150 copies available for distribution. The Sergeant-at-Arms will distribute copies only at the direction of the chairs.

10. No documents may be distributed to members except by prior arrangement with the chairs.

11. To be considered a proposed amendment (a) must have been requested from drafting staff by 7:00 PM and (b) must have been logged in at the podium by committee staff by 8:30 PM. The Chairs will review amendments to make sure they are eligible for consideration. Eligible amendments will be heard after all of the subcommittee presentations have been made.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

SESSION LAW 2003-284
HOUSE BILL 397

AN ACT TO APPROPRIATE FUNDS FOR CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS FOR STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES, AND TO IMPLEMENT A STATE BUDGET THAT ENABLES THE STATE TO PROVIDE A SUSTAINABLE RECOVERY THROUGH STRONG EDUCATIONAL AND ECONOMIC TOOLS.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2003."

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations - General Fund	**2003-2004**	**2004-2005**
EDUCATION		
Community Colleges System Office	660,927,719	660,199,222
Department of Public Instruction	6,035,050,302	6,034,995,183
University of North Carolina - Board of Governors	1,792,141,661	1,822,426,657
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services Office of the Secretary	82,168,433	80,968,433

Division of Aging	27,685,838	27,685,838
Division of Blind Services/Deaf/HH	9,302,670	9,387,008
Division of Child Development	259,017,167	259,210,693
Division of Education Services	31,806,862	31,670,076
Division of Facility Services	12,256,792	12,256,792
Division of Medical Assistance	1,987,409,086	2,449,169,963
Division of Mental Health	577,290,247	580,423,098
NC Health Choice	49,484,279	55,432,822
Division of Public Health	124,177,475	123,448,895
Division of Social Services	179,178,674	189,029,268
Division of Vocational Rehabilitation	40,042,124	40,834,858
Total	3,379,819,647	3,859,517,744
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	48,495,356	48,616,369
Department of Commerce		
Commerce	33,396,542	34,336,301
Commerce State-Aid	11,272,085	11,222,085
NC Biotechnology Center	5,883,395	5,883,395
Rural Economic Development Center	4,658,607	4,658,607
Department of Environment and Natural Resources		
Environment and Natural Resources	147,176,308	152,798,010
Clean Water Management Trust Fund	62,000,000	62,000,000
Department of Labor	13,265,454	13,274,104
JUSTICE AND PUBLIC SAFETY		
Department of Correction	940,246,590	959,947,282
Department of Crime Control and Public Safety	28,744,326	28,139,010
Judicial Department	304,340,731	311,499,694
Judicial Department - Indigent Defense	73,264,829	71,019,451
Department of Justice	71,041,310	71,459,312
Department of Juvenile Justice and Delinquency Prevention	130,313,473	130,585,498
GENERAL GOVERNMENT		
Department of Administration	52,055,520	52,583,907
Office of Administrative Hearings	2,409,683	2,411,797
Department of State Auditor	10,293,801	10,293,801
Office of State Controller	9,694,464	9,719,451
Department of Cultural Resources		
Cultural Resources	55,227,767	54,088,598

Appropriations
Meets Tuesdays, Wednesdays, Thursdays at 8:30 am in 643

Chairman	Rep. Baker
Chairman	Rep. Clary
Chairman	Rep. Crawford
Chairman	Rep. Earle
Chairman	Rep. Grady
Chairman	Rep. Owens
Chairman	Rep. Sherrill
Chairman	Rep. Wright
Vice Chairman	Rep. Cole
Vice Chairman	Rep. Fox
Vice Chairman	Rep. Haire
Vice Chairman	Rep. Jeffus
Vice Chairman	Rep. Nye
Vice Chairman	Rep. Tolson
Vice Chairman	Rep. Yongue
Members	Rep. Adams, Rep. B. Allen, Rep. L. Allen, Rep. Allred, Rep. Barbee, Rep. Barnhart, Rep. Bell, Rep. Blust, Rep. Bonner, Rep. Bowie, Rep. Church, Rep. Coates, Rep. Culp, Rep. Daughtridge, Rep. Daughtry, Rep. Dickson, Rep. Dockham, Rep. England, Rep. Farmer-Butterfield, Rep. Frye, Rep. Gillespie, Rep. Goforth, Rep. Goodwin, Rep. Gorman, Rep. Gulley, Rep. Hackney, Rep. Hall, Rep. Harrell, Rep. Hilton, Rep. Holmes, Rep. Hunter, Rep. Insko, Rep. C. Johnson, Rep. L. Johnson, Rep. Justice, Rep. Justus, Rep. Kiser, Rep. LaRoque, Rep. Lucas, Rep. McAllister, Rep. McComas, Rep. McHenry, Rep. McLawhorn, Rep. McMahan, Rep. Michaux, Rep. Miller, Rep. Mitchell, Rep. Moore, Rep. Nesbitt, Rep. Parmon, Rep. Pate, Rep. Preston, Rep. Rapp, Rep. Ray, Rep. Rhodes, Rep. Sauls, Rep. Saunders, Rep. Sexton, Rep. Stam, Rep. Stiller, Rep. Sutton, Rep. Walend, Rep. Walker, Rep. Warner, Rep. Warren, Rep. West, Rep. A. Williams, Rep. K. Williams, Rep. G. Wilson

NORTH CAROLINA GENERAL ASSEMBLY

APPROPRIATIONS
2003 – 2004 SESSION



Rep. Baker
Chair



Rep. Clary
Chair



Rep. Crawford
Chair



Rep. Earle
Chair



Rep. Grady
Chair



Rep. Owens
Chair



Rep. Sherrill
Chair



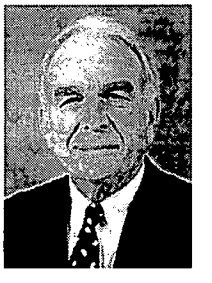
Rep. Wright
Chair



Rep. Cole
Vice Chair



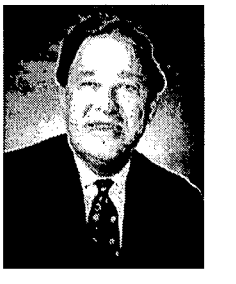
Rep. Fox
Vice Chair



Rep. Haire
Vice Chair



Rep. Jeffus
Vice Chair



Rep. Nye
Vice Chair



Rep. Tolson
Vice Chair



Rep. Yongue
Vice Chair

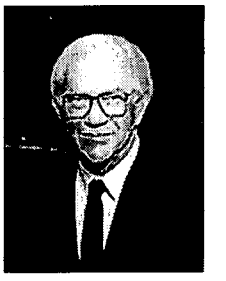
NORTH CAROLINA GENERAL ASSEMBLY

Appropriations
2003 – 2004 SESSION

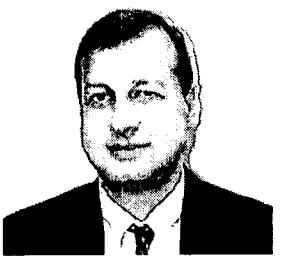

Rep. Adams


Rep. B. Allen

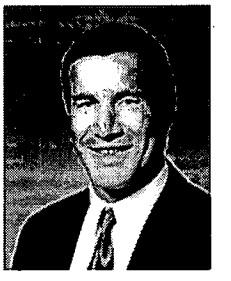

Rep. L. Allen


Rep. Allred


Rep. Barbee


Rep. Barnhart


Rep. Bell


Rep. Blust


Rep. Bonner


Rep. Bowie


Rep. Church


Rep. Coates


Rep. Culp


Rep. Daughtridge


Rep. Daughtry


Rep. Dickson


Rep. Dockham


Rep. England


Rep. Farmer-Butterfield


Rep. Frye


Rep. Gillespie


Rep. Goforth


Rep. Goodwin


Rep. Gorman


Rep. Gulley

NORTH CAROLINA GENERAL ASSEMBLY

Appropriations
2003 – 2004 SESSION


Rep. Hackney


Rep. Hall


Rep. Harrell


Rep. Hilton


Rep. Holmes


Rep. Hunter


Rep. Insko


Rep. E. Johnson


Rep. L. Johnson


Rep. Justice


Rep. Justus


Rep. Kiser


Rep. LaRoque


Rep. Lucas


Rep. McAllister


Rep. McComas


Rep. McHenry


Rep. McLawhorn


Rep. McMahan


Rep. Michaux


Rep. Miller


Rep. Mitchell


Rep. Moore


Rep. Nesbitt

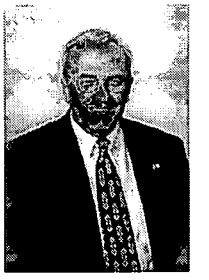

Rep. Parmon

NORTH CAROLINA GENERAL ASSEMBLY

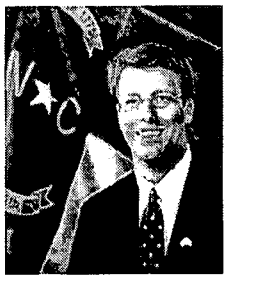
Appropriations
2003 – 2004 SESSION

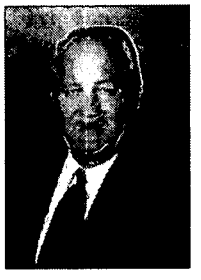

Rep. Pate


Rep. Preston


Rep. Rapp


Rep. Ray

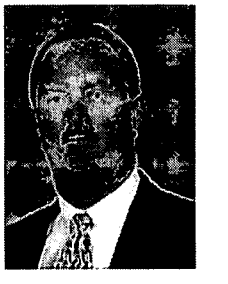

Rep. Rhodes


Rep. Sauls


Rep. Saunders


Rep. Sexton


Rep. Stam


Rep. Stiller


Rep. Sutton


Rep. Walend


Rep. Walker


Rep. Warner


Rep. Warren


Rep. West


Rep. J. Williams


Rep. P. Williams


Rep. G. Wilson


Rep. Brubaker
Ex-officio


Rep. Culpepper
Ex-officio


Rep. Cunningham
Ex-officio


Rep. Eddins
Ex-officio

HOUSE APPROPRIATIONS CHAIRS
2003 – 2004 SESSION

MEMBER	ASSISTANT	PHONE	OFFICE
BAKER, Rex L.	Ann Misenheimer	733-5787	302C
CLARY, Debbie L.	Shirley Winstead	715-2002	302B
CRAWFORD, Jim	Linda Winstead	733-5824	1301
EARLE, Beverly M.	Ann Raeford	715-2530	634
GRADY, W. Robert	Peggy Murray	715-9644	302A
OWENS, William C.	Linda A. Johnson	733-0010	635
SHERRILL, Wilma M.	Rosa Kelley	715-3026	302D
WRIGHT, Thomas E.	Vanda Wilson-Wormack	733-5754	528

STAFF

Karen Hammonds-Blanks	Fiscal Research	733-4910	619
Lynn Muchmore	Fiscal Research	733-4910	619

HOUSE APPROPRIATIONS COMMITTEE
2003 - 2004

Member	Address	Phone	Legislative Assistant(s)
Rep. Alma S. Adams	542 LOB	919-733-5902	Rhonda Towns
Rep. Bernard Allen	1325 LB	919-733-5772	Mildred Alston
Rep. Lucy T. Allen	1307 LB	919-733-5860	Melissa Riddle
Rep. Cary D. Allred	606 LOB	919-733-5905	Jean Allred
Rep. Rex L. Baker	302C LOB	919-733-5787	Ann Misenheimer
Rep. Bobby H. Barbee, Sr.	1025 LB	919-733-5908	Rosa Murray
Rep. Jeffrey L. Barnhart	608 LOB	919-715-2009	Pamela Ahlin
Rep. Larry M. Bell	530 LOB	919-733-5662	Carolyn Edwards
Rep. John M. Blust	1420 LB	919-733-5806	Betty Childress
Rep. Donald A. Bonner	1313 LB	919-733-5803	Phyllis Cameron
Rep. Joanne W. Bowie	538 LOB	919-733-5877	Sharon Gaudette
Rep. Walter G. Church, Sr.	1311 LB	919-733-5805	Joyce Fuller
Rep. Debbie A. Clary	302B LOB	919-715-2002	Shirley Winstead
Rep. Lorene T. Coates	633 LOB	919-733-5784	Melissa Lennon
Rep. E. Nelson Cole	1218 LB	919-733-5779	Suzanne Smith
Rep. James W. Crawford, Jr.	1301 LB	919-733-5824	Linda Winstead
Rep. Arlie F. Culp	1010 LB	919-733-5865	Waneta Lord
Rep. Bill G. Daughtridge, Jr.	604 LOB	919-733-5802	Monica Saunders
Rep. N. Leo Daughtry	1209 LB	919-733-5605	Bernice Bullard
Rep. Margaret H. Dickson	1219 LB	919-733-5776	Jennifer Edwards
Rep. Jerry C. Dockham	1424 LB	919-715-2526	Regina Irwin
Rep. Beverly M. Earle	634 LOB	919-715-2530	Ann Raeford
Rep. Bob England	2219 LB	919-733-5749	Lisa Brown
Rep. Jean Farmer-Butterfield	614 LOB	919-733-5898	Melva McNeil
Rep. Stanley H. Fox	2123 LB	919-733-5758	Mary Capps
Rep. Phillip D. Frye	1019 LB	919-733-5661	Mary Hayes

Rep. Mitch Gillespie	1008 LB	919-733-5862	Cindy Hobbs
Rep. D. Bruce Goforth	1220 LB	919-733-5746	Ann Jordan
Rep. G. Wayne Goodwin	1305 LB	919-733-5823	Charlotte Graham
Rep. Michael A. Gorman	417A LOB	919-715-3019	Rachel Faison
Rep. W. Robert Grady	302A LOB	919-715-9644	Peggy Murray
Rep. Jim Gulley	1319 LB	919-733-5800	Suzanne Gulley
Rep. Joe Hackney	2207 LB	919-733-5752	Emily Reynolds
Rep. R. Phillip Haire	419B LOB	919-715-3005	Sara Jane Lennard
Rep. John D. Hall	611 LOB	919-733-5878	Delta Prince
Rep. James A. Harrell, III	403 LOB	919-715-1883	Ted Braun
Rep. Mark K. Hilton	1021 LB	919-733-5988	Anne Soles
Rep. George M. Holmes	1211 LB	919-733-5654	Glenda Jacobs
Rep. Howard J. Hunter, Jr.	613 LOB	919-733-2962	Barbara Phillips
Rep. Verla C. Insko	2121 LB	919-733-7208	Pamela Evans
Rep. Maggie Jeffus	1013 LB	919-733-5191	Mary Lee Robinson
Rep. Charles E. Johnson	416B LOB	919-715-3021	Sally Gillis
Rep. Linda P. Johnson	1006 LB	919-733-5861	Debbie Pons
Rep. Carolyn H. Justice	418B LOB	919-715-9664	Linda McCrodden
Rep. Carolyn K. Justus	1023 LB	919-733-5956	Glenda Jones
Rep. Joe L. Kiser	1326 LB	919-733-5782	Marilyn Holder
Rep. Stephen A. LaRoque	417B LOB	919-715-3017	Patricia Freije
Rep. Marvin W. Lucas	1323 LB	919-733-5775	Thelma Utley
Rep. Mary E. McAllister	638 LOB	919-733-5959	Johnna Smith
Rep. Daniel F. McComas	506 LOB	919-733-5786	Judy Lowe
Rep. Patrick T. McHenry	1015 LB	919-733-5886	Brett Keeter
Rep. Marian N. McLawhorn	1217 LB	919-733-5757	Susan Burleson
Rep. W. Edwin McMahan	1426 LB	919-733-5602	Sharon Cram
Rep. Mickey Michaux, Jr.	1227 LB	919-715-2528	Anita Wilder
Rep. Paul Miller	640 LOB	919-733-5872	Eryn Gee
Rep. W. Franklin Mitchell	1409 LB	919-733-5609	Susan West

Rep. Tim Moore	502 LOB	919-733-4838	Nancy Garriss
Rep. Martin L. Nesbitt, Jr.	420 LOB	919-715-3001	Jan Lee
Rep. Edd Nye	639 LOB	919-733-5477	Jo Bobbitt
Rep. William C. Owens, Jr.	635 LOB	919-733-0010	Linda A. Johnson
Rep. Earline W. Parmon	632 LOB	919-733-5829	Pat Christmas
Rep. Louis M. Pate, Jr.	607 LOB	919-733-5755	Edna Pearce
Rep. Jean R. Preston	603 LOB	919-733-5706	Suzanne Castleberry
Rep. Ray Rapp	2213 LB	919-733-5732	Dot Barber
Rep. Karen B. Ray	1315 LB	919-733-5741	Susan Brothers
Rep. John W. Rhodes	1017 LB	919-733-5530	Lucille Carter
Rep. John I. Sauls	418A LOB	919-715-3012	Shara Graham
Rep. Drew P. Saunders	2217 LB	919-733-5606	Ruth Fish
Rep. P. Wayne Sexton, Sr.	609 LOB	919-733-5607	Debbie Turner
Rep. Wilma M. Sherrill	302D LOB	919-715-3026	Rosa Kelley
Rep. Paul Stam	610 LOB	919-733-5780	Jana Stam
Rep. Bonner L. Stiller	508 LOB	919-733-5974	Ferebee Stainback
Rep. Ronnie N. Sutton	1321 LB	919-715-0875	Juanita Coley
Rep. Joe P. Tolson	402 LOB	919-715-3024	Gayle Christian
Rep. Trudi Walend	602 LOB	919-715-4466	Ken Walend
Rep. R. Tracy Walker	1111 LB	919-733-5935	Barbara Powell
Rep. Alex Warner	1206 LB	919-733-5853	Ann Stancil
Rep. Edith D. Warren	416A LOB	919-715-3023	Nancy Willis
Rep. Roger West	1004 LB	919-733-5859	Linda C. Johnson
Rep. Arthur J. Williams	637 LOB	919-733-5906	Linda Uzzle
Rep. Keith P. Williams	418C LOB	919-715-3009	Martha Hoover
Rep. W. Eugene Wilson	1109 LB	919-733-7727	Rebecca Jones-Cooper
Rep. Thomas E. Wright	528 LOB	919-733-5754	Clarestene Stewart
Rep. Douglas Y. Yongue	1303 LB	919-733-5821	Courtney Enlow

ATTENDANCE

HOUSE APPROPRIATIONS COMMITTEE

2003 - 2004

(Name of Committee)

DATES	3-5-03	3-6-03	8:30 3-11-03	1:30 3-11-03	8:30 3-12-03	1:30 3-12-03	8:30 3-13-03	1:00 4-14-03	5:00 6-9-03	6-19-03	7-9-03	7-10-03	7-16-03	7-17-03	
Baker, Rex L., Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Clary, Debbie, L., Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Crawford, James W., Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Earle, Beverly M., Chair	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Grady, W. Robert, Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	
Owens, William C., Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Sherrill, Wilma M., Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wright, Thomas E., Chair	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
Adams, Alma S.		✓	✓	✓	✓		✓	✓	✓	✓	✓			✓	
Allen, Bernard	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Allen, Lucy T	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Allred, Cary D.	✓			✓				✓	✓	✓					
Barbee, Bobby H.	✓			✓	✓			✓	✓	✓	✓		✓	✓	
Barnhart, Jeffrey	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
Bell, Larry M.	✓		✓	✓	✓			✓	✓	✓	✓		✓	✓	
Blust, John M.			✓		✓		✓	✓							
Bonner, Donald A.	✓				✓			✓	✓	✓				✓	
Bowie, Joanne W.	✓			✓		✓	✓	✓	✓	✓	✓		✓		
Church, Walter G.	✓	✓	✓		✓			✓		✓	✓	✓			
Coates, Lorene T.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Cole, E. Nelson		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	
Culp, Arlie F.	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓	
Daughtridge, Bill G.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Daughtry, N. Leo	✓			✓				✓	✓						

Dickson, Margaret H.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Dockham, Jerry C.								✓		✓					
England, Bob	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Farmer-Butterfield, Jean				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Fox, Stanley	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Frye, Phillip D.	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	
Gillespie, Mitch	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Goforth, D. Bruce	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	
Goodwin, G. Wayne			✓				✓		✓	✓	✓		✓	✓	
Gorman, Michael A.	✓	✓	✓		✓			✓	✓	✓	✓		✓	✓	
Gulley, Jim	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Hackney, Joe				✓				✓	✓	✓	✓	✓	✓	✓	
Haire, R. Phillip	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	
Hall, John D.			✓	✓	✓			✓	✓	✓					
Harrell, James A.	✓		✓	✓	✓		✓	✓	✓	✓			✓	✓	
Hilton, Mark K.	✓	✓				✓		✓	✓	✓	✓		✓	✓	
Holmes, George M.	✓							✓	✓						
Hunter, Howard J.										✓	✓		✓		
Insko, Verla C.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	
Jeffus, Maggie	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Johnson, Charles E.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Johnson, Linda P.	✓	✓		✓	✓	✓	✓	✓	✓		✓		✓	✓	
Justice, Carolyn H.	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	
Justus, Carolyn K.	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓	✓	
Kiser, Joe L.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
LaRoque, Stephen A.	✓	✓	✓	✓	✓			✓	✓	✓	✓	✓		✓	
Lucus, Marvin W.	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	
McAllister, Mary E.	✓	✓		✓						✓			✓	✓	
McComas, Daniel F.								✓		✓				✓	
McHenry, Patrick T.	✓		✓	✓	✓			✓		✓				✓	
McLawhorn, Marian N.	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
McMahan, W. Edwin			✓	✓				✓			✓				

Michaux, Henry M.								✓	✓	✓	✓	✓	✓	✓	
Miller, Paul									✓		✓				
Mitchell, W. Franklin	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓	
Moore, Tim	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓			
Nesbitt, Martin L.	✓									✓		✓	✓	✓	
Nye, Edd	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Parmon, Earline W.	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Pate, Louis M.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓		
Preston, Jean R.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Rapp, Ray	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Ray, Karen B.	✓	✓	✓	✓	✓			✓	✓	✓			✓		
Rhodes, John W.	✓		✓	✓	✓			✓	✓	✓	✓			✓	
Sauls, John I.	✓		✓	✓	✓			✓	✓	✓		✓		✓	
Saunders, Drew P.	✓	✓	✓					✓	✓	✓		✓	✓	✓	
Sexton, P. Way;ne	✓		✓			✓		✓	✓	✓	✓	✓		✓	
Stam, Paul	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	
Stiller, Bonner L.	✓	✓	✓		✓		✓		✓	✓	✓	✓	✓	✓	
Sutton, Ronnie N.	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	
Tolson, Joe P.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	
Walend, Trudi	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓			
Walker, R. Tracy	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Warner, Alex	✓							✓		✓				✓	
Warren, Edith D.	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓	
West, Roger	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	
Williams, Arthur J.	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	
Williams, Keith P.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	
Wilson, W. Eugene	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	
Yongue, Douglas Y.	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Ex-Officio:															
Brubaker, Harold J.														✓	
Culpepper, Bill				✓				✓	✓						
Cunningham, W. Pete															
Eddins, Rick L.								✓							

Bill	Short Title		Date	Latest Action
H 12	LMT GEN. FUND SPENDING/PRIOR YR'S SPENDING.	H	02-13-2003	Ref To Com On Appropriations
14	BUDGET DEADLINES ENHANCED.	H	02-13-2003	Ref To Com On Appropriations
15=	INCREASE FIRE AND RESCUE SQUAD PENSION.	*H	04-03-2003	Re-ref Com On Appropriations
$ H 52	**NC FARMLAND PRESERVATION FUNDS.**	**H**	**02-20-2003**	**Ref To Com On Appropriations**
H 56=	INCREASE FIRE AND RESCUE SQUAD PENSION.	*H	04-02-2003	Re-ref Com On Appropriations
$ H 81	**FUNDS FOR UNC-CH SCHOOL OF MEDICINE.**	**H**	**02-25-2003**	**Ref To Com On Appropriations**
H 108	HABITUAL MISD. LARCENY/FELONY.	*H	04-30-2003	Re-ref Com On Appropriations
$ H 117=	**LOW-WEALTH SCHOOL SUPPLEMENTAL FUNDING.**	**H**	**02-27-2003**	**Ref To Com On Appropriations**
H 151=	LAW OFFICERS' 25-YEAR RETIREMENT.	H	04-23-2003	Re-ref Com On Appropriations
$ H 155	**LTC WORKFORCE IMPROVEMENT PROGRAM.**	**H**	**04-14-2003**	**Re-ref Com On Appropriations**
H 170=	SPECIAL ASSISTANCE IN-HOME OPTION.	*H	04-23-2003	Re-ref Com On Appropriations
$ H 172	**LOCAL LTC PLANNING PILOT PROJECT.**	***H**	**04-09-2003**	**Re-ref Com On Appropriations**
H 186	TIMELY STATE BUDGET ACT.	H	03-04-2003	Ref To Com On Appropriations
$ H 215	**MADISON COUNTY ADULT DAY CARE FUNDS.**	***H**	**05-14-2003**	**Re-ref Com On Appropriations**
$ H 274	**EXPAND THE TEACHING FELLOWS PROGRAM.**	**H**	**03-06-2003**	**Ref To Com On Appropriations**
H 305	RETIREMENT CONTRIBUTION RATES.-AB	H	04-09-2003	Re-ref Com On Appropriations
H 306=	ENHANCE RETIREMENT BENEFITS.-AB	H	04-09-2003	Re-ref Com On Appropriations
$ H 307=	**FOOD BANKS FUNDS.**	**H**	**03-06-2003**	**Ref To Com On Appropriations**
$ H 308=	**LONG-TERM CARE/ENHANCEMENT FUNDS.**	**H**	**03-06-2003**	**Ref To Com On Appropriations**
H 327	INCREASE PENALTY FOR CERTAIN BOMB OFFENSES.	*H	04-30-2003	Re-ref Com On Appropriations
388	**ASSOCIATION OF SELF-ADVOCATES FUNDS.**	**H**	**03-11-2003**	**Ref To Com On Appropriations**
$ H 398	**2003 APPROPRIATIONS ACT.**	**H**	**03-11-2003**	**Ref To Com On Appropriations**
$ H 399	**2003 APPROPRIATIONS ACT.**	**H**	**03-11-2003**	**Ref To Com On Appropriations**
$ H 400	**2003 APPROPRIATIONS ACT.**	**H**	**03-11-2003**	**Ref To Com On Appropriations**
H 451=	MEDICAID COUNTY SHARE.	*H	07-10-2003	Re-ref Com On Appropriations
$ H 452=	**FUNDS FOR FARM AND RURAL FAMILIES.**	**H**	**03-13-2003**	**Ref To Com On Appropriations**
$ H 476	**MECKLENBURG JUVENILE/ADULT OFFENDER FUNDS.**	**H**	**03-13-2003**	**Ref To Com On Appropriations**
$ H 492=	**NCA&T MATCHING FUNDS.**	**H**	**03-13-2003**	**Ref To Com On Appropriations**
$ H 494	**PROJECT COMPLIANCE.**	**H**	**03-17-2003**	**Ref To Com On Appropriations**
$ H 507	**BLANK APPROPRIATIONS BILL.**	**H**	**03-17-2003**	**Ref To Com On Appropriations**
$ H 508=	**FUNDS FOR COURTHOUSE CHILD CARE CENTERS.**	**H**	**03-17-2003**	**Ref To Com On Appropriations**
$ H 529	**ROANOKE-CHOWAN DRUG TASK FORCE FUNDS.**	**H**	**03-17-2003**	**Ref To Com On Appropriations**
$ H 530	**FUNDS FOR INTERPRETER SVCES/LOCAL HEALTH DEPT.**	**H**	**03-17-2003**	**Ref To Com On Appropriations**
$ H 547	**INTERNATIONAL CIVIL RIGHTS MUSEUM FUNDS.**	**H**	**03-18-2003**	**Ref To Com On Appropriations**
$ H 548	**FEDERAL ELECTION FUNDS APPROPRIATION (HAVA).**	***H**	**03-20-2003**	**Re-ref Com On Appropriations**
H 557	STATE HEALTH PLAN: INCREASE WELLNESS BENEFIT.	H	06-18-2003	Re-ref Com On Appropriations
$ H 638=	**NASH FARMERS MARKET FUNDS.**	**H**	**03-25-2003**	**Ref To Com On Appropriations**

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Bill	Short Title		Date	Latest Action
$ H 639=	**NASH COURTHOUSE SECURITY FUNDS.**	**H**	**03-25-2003**	**Ref To Com On Appropriations**
$ H 644	**HALIFAX-NORTHAMPTON REGIONAL AIRPORT FUNDS.**	**H**	**03-25-2003**	**Ref To Com On Appropriations**
649	**INTERNATIONAL HOME FURNISHINGS MARKET.**	**H**	**03-25-2003**	**Ref To Com On Appropriations**
$ H 658	**FUNDS FOR TARHEEL CHALLENGE PROGRAM.**	**H**	**03-25-2003**	**Ref To Com On Appropriations**
H 666=	CONTRACT AGENCY COMPENSATION.	*H	06-11-2003	Re-ref Com On Appropriations
$ H 726=	**ESTABLISH MT. ISLAND STATE FOREST.**	**H**	**03-27-2003**	**Ref To Com On Appropriations**
H 732	STREET GANG TERRORISM PREVENTION ACT.	*H	04-15-2003	Re-ref Com On Appropriations
$ H 739=	**FUNDS FOR MECK. COUNTY SCHOOL NURSES.**	**H**	**03-27-2003**	**Ref To Com On Appropriations**
$ H 795	**DOWNTOWN AREA REVITALIZATION PROGRAM.**	**H**	**03-27-2003**	**Ref To Com On Appropriations**
$ H 800	**TEACHER ASSISTANT SALARY SCHEDULE.**	**H**	**03-31-2003**	**Ref To Com On Appropriations**
$ H 803=	**COALITION 2001 FUNDS.**	**H**	**03-31-2003**	**Ref To Com On Appropriations**
H 806	REBATE AND GRANT PROGRAM FOR AFVS.	*H	07-07-2003	Re-ref Com On Appropriations
$ H 808	**NURSING FACULTY FELLOWS PROGRAM.**	**H**	**03-31-2003**	**Ref To Com On Appropriations**
H 812	AMEND RETIREES' EARNINGS RESTRICTION.	H	04-16-2003	Re-ref Com On Appropriations
$ H 820	**TRAVELING SCIENCE AND TECHNOLOGY FUNDS.**	**H**	**06-11-2003**	**Re-ref Com On Appropriations**
H 822=	HEALTH INSURANCE COVERAGE/EARLY INTERVENTION.	*H	05-01-2003	Re-ref Com On Appropriations
$ H 828	**HISTORY EDUCATION CTR/TRYON PALACE FUNDS.**	**H**	**04-02-2003**	**Ref To Com On Appropriations**
832=	**KIDS VOTING NC FUNDS.**	**H**	**04-02-2003**	**Ref To Com On Appropriations**
$ H 834	**PITT COUNTY SR. CENTER FUNDS.**	**H**	**04-02-2003**	**Ref To Com On Appropriations**
$ H 836=	**COMM. COLLEGE EQUIPMENT FUNDS/CARRY FORWARD.**	**H**	**04-02-2003**	**Ref To Com On Appropriations**
$ H 843=	**NATIONAL GUARD READINESS CENTER FUNDS.**	**H**	**04-02-2003**	**Ref To Com On Appropriations**
$ H 845=	**TANF BLOCK GRANT FUNDS/BOYS & GIRLS CLUB.**	**H**	**04-03-2003**	**Ref To Com On Appropriations**
$ H 850=	**COMM. COLLEGE FACULTY/ PROFES. STAFF SALARIES.**	**H**	**04-03-2003**	**Ref To Com On Appropriations**
H 851	INTEREST ON RETURN OF RETIREMENT CONTRIB.	H	05-07-2003	Re-ref Com On Appropriations
H 852	INCREASE "RAINY DAY" FUNDS.	H	04-03-2003	Ref To Com On Appropriations
$ H 853=	**GOVERNOR'S BUDGET BILL.**	**H**	**04-03-2003**	**Ref To Com On Appropriations**
$ H 858	**FUNDS FOR OCCUPATIONAL CONTINUING EDUCATION.**	**H**	**04-07-2003**	**Ref To Com On Appropriations**
$ H 862	**STUDY MINORITY JUVENILE COMMITMENT.**	**H**	**04-07-2003**	**Ref To Com On Appropriations**
H 874	STATE EMPLOYEES' HEALTH PLAN/EMERGENCY SVCES.	H	06-18-2003	Re-ref Com On Appropriations
H 875	TUITION REMISSION/OVERHEAD RECEIPTS.	H	04-07-2003	Ref To Com On Appropriations
$ H 881	**CHILD NUTRITION PERSONNEL BONUS FUNDS.**	**H**	**04-07-2003**	**Ref To Com On Appropriations**
H 893	FIREMEN'S RELIEF FUND REPORTING.	H	04-07-2003	Ref To Com On Appropriations
$ H 901	**SEXUAL ASSAULT FUNDS.**	**H**	**04-07-2003**	**Ref To Com On Appropriations**

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Bill	Short Title		Date	Latest Action
$ H 906=	**DISTRICT 26 ADA FUNDS.**	**H**	**04-07-2003**	**Ref To Com On Appropriations**
$ H 908	**FRESHWATER AQUARIUM FUNDS.**	**H**	**04-07-2003**	**Ref To Com On Appropriations**
H 909	**FUNDS/UNC SCHOOL OF MED/REHAB.CNSLG.**	**H**	**04-08-2003**	**Ref To Com On Appropriations**
H 931	FARM FUTURES PILOT PROGRAM.	H	04-08-2003	Ref To Com On Appropriations
$ H 938=	**CLOSE ACHIEVEMENT GAP FUNDS.**	**H**	**04-08-2003**	**Ref To Com On Appropriations**
$ H 968=	**FARM FUTURES PILOT PROGRAM.**	**H**	**05-06-2003**	**Re-ref Com On Appropriations**
$ H 973=	**CARDIOVASCULAR INST.**	**H**	**04-09-2003**	**Ref To Com On Appropriations**
H 992	DEBT SETOFF FOR HOSPITAL SERVICES.	*H	04-30-2003	Re-ref Com On Appropriations
H 993	RECIPROCITY/OPTIONAL RETIREMENT SYSTEM.	*H	06-11-2003	Re-ref Com On Appropriations
$ H1014=	**MEDICAID FRAUD DETECTION PILOT FUNDS.**	**H**	**04-10-2003**	**Ref To Com On Appropriations**
H1019	I-40 U.S. VETERANS MEMORIAL HIGHWAY.	*H	04-24-2003	Re-ref Com On Appropriations
H1071=	UNC FLEXIBLE BENEFITS CLARIFICATION.	H	04-28-2003	Re-ref Com On Appropriations
$ H1084	**FUNDS FOR UNCOMPENSATED PRENATAL CARE.**	**H**	**04-10-2003**	**Ref To Com On Appropriations**
H1091	PENALTY FOR ILLEGAL INDOOR PYRO.	*H	04-30-2003	Re-ref Com On Appropriations
$ H1110=	**WORLD TRADE CENTER FUNDS.**	**H**	**04-10-2003**	**Ref To Com On Appropriations**
H1117	ASSISTANT REQUIRED/LARGE KINDERGARTEN CLASS.	H	04-21-2003	Re-ref Com On Appropriations
H1141	VERIFY RESIDENCY FOR DRIVERS LICENSE.	H	04-24-2003	Re-ref Com On Appropriations
$ H1154	**SCHOOL COUNSELORS' SALARY SCHEDULE.**	**H**	**04-10-2003**	**Ref To Com On Appropriations**
H1174	SAFE TRANSPORTATION FOR SCHOOL STUDENTS.	*H	04-24-2003	Re-ref Com On Appropriations
H1176	IT FUNDS FLEXIBILITY.	H	04-30-2003	Re-ref Com On Appropriations
$ H1178	**RAISE ADAP INCOME LIMIT.**	**H**	**04-22-2003**	**Re-ref Com On Appropriations**
H1189	LAPSED SALARY FUNDS REVERT.	H	04-10-2003	Ref To Com On Appropriations
$ H1222	**AGRIBUSINESS AND TOURISM JOB TRAINING.**	**H**	**04-14-2003**	**Ref To Com On Appropriations**
$ H1223	**MINORITY CREDIT UNION FUNDS.**	**H**	**04-14-2003**	**Ref To Com On Appropriations**
$ H1224=	**UNC - NONAPPROPRIATED CAPITAL PROJECTS.**	**H**	**04-15-2003**	**Ref To Com On Appropriations**
$ H1225	**FORSYTH TECH. FUNDS.**	**H**	**04-15-2003**	**Ref To Com On Appropriations**
$ H1226	**FUNDS FOR ADOLESCENT PARENTING.**	**H**	**04-17-2003**	**Ref To Com On Appropriations**
H1231	MEDICAID WAIVER/EXPAND P DRUG COVERAGE.	H	04-22-2003	Ref To Com On Appropriations
$ H1232	**FOOD SAFETY & SECURITY FUNDS.**	**H**	**04-23-2003**	**Ref To Com On Appropriations**
$ H1245	**PROVIDE AN ANNUAL INCREMENT TO ALL TEACHERS .**	**H**	**04-24-2003**	**Ref To Com On Appropriations**
$ H1246	**LOCAL JUVENILE CRIME PREVENTION COUNCIL FUNDS.**	**H**	**04-24-2003**	**Ref To Com On Appropriations**
$ H1248	**WORLD TRADE CENTER FUNDS.**	**H**	**04-24-2003**	**Ref To Com On Appropriations**
$ H1250=	**APPROPRIATE FUNDS FOR AT-RISK STUDENTS.**	**H**	**04-24-2003**	**Ref To Com On Appropriations**
$ H1251	**LINK PRINCIPAL'S BONUS TO 4-YEAR GRAD. RATE.**	**H**	**05-01-2003**	**Re-ref Com On Appropriations**
$ H1258	**SCHOOLS MUST EMPLOY TESTING COORDINATORS.**	**H**	**04-24-2003**	**Ref To Com On Appropriations**
$ H1259	**FUNDS TO IMPROVE QUALITY OF CARE.**	**H**	**04-24-2003**	**Ref To Com On Appropriations**
$ H1261	**BLANK APPROPRIATIONS BILL.**	**H**	**04-24-2003**	**Ref To Com On Appropriations**

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2003-2004 Biennium

Leg. Day: H-102/S-102

Bill	Short Title		Date	Latest Action
H1318	MODERNIZE BILL LEE ACT.	*H	06-18-2003	Re-ref Com On Appropriations
S 31	TEACHER CREDIT FOR EXCESS PERSONAL LEAVE.	*H	05-21-2003	Re-ref Com On Appropriations

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REFERRAL FORM

NORTH CAROLINA HOUSE OF REPRESENTATIVES
ASSIGNMENT OF BILLS TO SUBCOMMITTEE

COMMITTEE: **APPROPRIATIONS**

Chairs: **Representatives Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright**

DATE: **April 24, 2003**

Bill Number (Indicate **H** or **S**): HB 244

Short Title: Arson Offenses-Sent. Commission-AB

Assigned to Subcommittee on: **Justice and Public Safety**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

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COMMITTEE: **APPROPRIATIONS**

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DATE: **April 24, 2003**

Bill Number (Indicate **H** or **S**): H 991

Short Title: Teacher Assistant Salary/Tuition Funds

Assigned to Subcommittee on: **Education**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 1168

Short Title: Revise Funding Formula for LEP Students

Assigned to Subcommittee on: **Education**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

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Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

REFERRAL FORM

NORTH CAROLINA HOUSE OF REPRESENTATIVES
ASSIGNMENT OF BILLS TO SUBCOMMITTEE

COMMITTEE: **APPROPRIATIONS**

Chairs: **Representatives Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright**

DATE: **April 24, 2003**

Bill Number (Indicate **H** or **S**): H 310

Short Title: CAP/DA Audit/DHHS Report

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 405

Short Title: Folic Acid Campaign Funds

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 631

Short Title: Expand the School Breakfast Program

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 634

Short Title: Funds for Public Health Services Demo Projects

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 640

Short Title: Phase Out County Share of Medicaid

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 641

Short Title: Phase Out County Share/State-Cnty SA

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**): H 659

Short Title: Funds to Increase Adult Care Home Rates

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

REFERRAL FORM

NORTH CAROLINA HOUSE OF REPRESENTATIVES
ASSIGNMENT OF BILLS TO SUBCOMMITTEE

COMMITTEE: APPROPRIATIONS

Chairs: Representatives Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright

DATE: April 24, 2003

Bill Number (Indicate H or S): H 660

Short Title: Funds for Autism Services

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate H or S): H 1220

Short Title: Osteoporosis Education Funds

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate H or S):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate H or S):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate H or S):

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Bill Number (Indicate H or S):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

REFERRAL FORM

NORTH CAROLINA HOUSE OF REPRESENTATIVES
ASSIGNMENT OF BILLS TO SUBCOMMITTEE

COMMITTEE: **APPROPRIATIONS**

Chairs: **Representatives Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright**

DATE: **April 28, 2003**

Bill Number (Indicate **H** or **S**): H1074

Short Title: Butner Advisory Council

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

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Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

REFERRAL FORM

NORTH CAROLINA HOUSE OF REPRESENTATIVES
ASSIGNMENT OF BILLS TO SUBCOMMITTEE

COMMITTEE: **APPROPRIATIONS**

Chairs: **Representatives Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright**

DATE: **May 14, 2003**

Bill Number (Indicate **H** or **S**): H1074

Short Title: Butner Advisory Council

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

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Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Crawford #24

REFERRAL FORM

NORTH CAROLINA HOUSE OF REPRESENTATIVES
ASSIGNMENT OF BILLS TO SUBCOMMITTEE

COMMITTEE: **APPROPRIATIONS**

Chairs: **Representatives Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright**

DATE: **May 14, 2003**

Bill Number (Indicate **H** or **S**): H1074

Short Title: Butner Advisory Council

Assigned to Subcommittee on: **Health and Human Services**

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

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Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Bill Number (Indicate **H** or **S**):

Short Title:

Assigned to Subcommittee on:

Re-Assigned to Subcommittee on:

Nye 23

2003 PERMANENT SUBCOMMITTEE REPORT
HOUSE OF REPRESENTATIVES

FOR RECOMMENDING BILLS TO STANDING COMMITTEE OR TO THE FLOOR OF THE HOUSE
The following report(s) from permanent sub committee(s) is/are presented:
By Representatives **Barnhart and Nye** (Chair) for the Subcommittee on
APPROPRIATIONS/Health and Human Services .

☒ Committee Substitute for
H.B. 1074 A BILL TO BE ENTITLED AN ACT TO REVISE A STATUTE TO CREATE A BUTNER ADVISORY COUNCIL SO AS TO ELECT ALL MEMBERS AT LARGE IN ONE MULTISEAT RACE AND ELIMINATE STAGGERED TERMS; TO DEFINE THE ELECTORAL JURISDICTION OF THE COUNCIL; AND TO AMEND THE LEGISLATION IN OTHER NEEDED WAYS.

REPORTED TO THE STANDING COMMITTEE ON **APPROPRIATIONS**

RECOMMENDED ACTION:

OK

☐ With a favorable recommendation.

☒ With a favorable recommendation and recommend that the bill be re-referred to the Committee on **FINANCE.**

☐ With a favorable recommendation, as amended.

☐ With a favorable recommendation, as amended, and recommend that the bill be re-referred to the Committee on .

☐ With an unfavorable recommendation.

☐ With a favorable recommendation as to proposed committee substitute bill, ☐ which changes the title, unfavorable as to original bill.

☐ With a favorable recommendation as to proposed House committee substitute bill, ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ Without prejudice.

☐ Other recommended action: _____.

WITH APPROVAL OF STANDING COMMITTEE CHAIR(S) FOR REPORT TO BE MADE DIRECTLY TO THE FLOOR OF THE HOUSE:
Representative for the Standing Committee on _____.

s/_____

☐ With a favorable report.
☐ With a favorable report, as amended.
☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #). (and recommendation that the committee substitute bill (#) be referred to the Committee on .)

03/26/03

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **JOINT APPROPRIATIONS** will meet as follows:

DAY & DATE: **Wednesday, March 5, 2003**

TIME: **1:00 p.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
Governor's Budget Briefing

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **5:00 pm** on **March 4 , 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

Minutes
Joint Appropriations Committee

March 5, 2003

The Joint Appropriations Committee met on Wednesday, March 5, 2003 in room 643 of the Legislative Office Building at 1:00 p.m. Chair Representative Rex Baker presided. Seventy-one House members of Appropriations were in attendance. A visitor registration list is attached and made part of these minutes.

The Chairman called the meeting to order and welcomed Pages Ben Whitney and Brandon Smith to the meeting. Chairman Baker announced that copies of the Governor's Budget had been delivered to Staff and members would receive theirs. soon. Senate Chairmen Garrou, Hagan, and Dalton were recognized. Senator Garrou led the Committee in prayer. House Chairs Clary, Crawford, Earle, Grady, Owens, Sherrill and Wright were recognized.

The Chair introduced David McCoy, Director of the Office of State Budget and Management, who along with Charles Perusse and Dan Gerlach of the Governor's office would brief the committee on Governor Easley's Recommended Budget for FY 2003-05 Biennium.

David McCoy gave an overview of the Governor's recommended Budget. Charles Perusee summarized the recommended reductions which included Expenditures, and Expansion. Dan Gerlach presented a summary of recommended revenues for 2003-05.

Questions were directed to the presenters by members of both the Senate and House.

There being no further business the Chair adjourned the meeting at 2:20 p.m.

Respectfully submitted,

Representative
Chairman (Presiding Chair)

Committee Assistant

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
RALEIGH, NORTH CAROLINA 27601

HOUSE APPROPRIATIONS COMMITTEE MEETING
AGENDA
March 5, 2003 1:00 A.M.
643 LOB

Representative Rex L. Baker, Presiding

Chairman's Comments

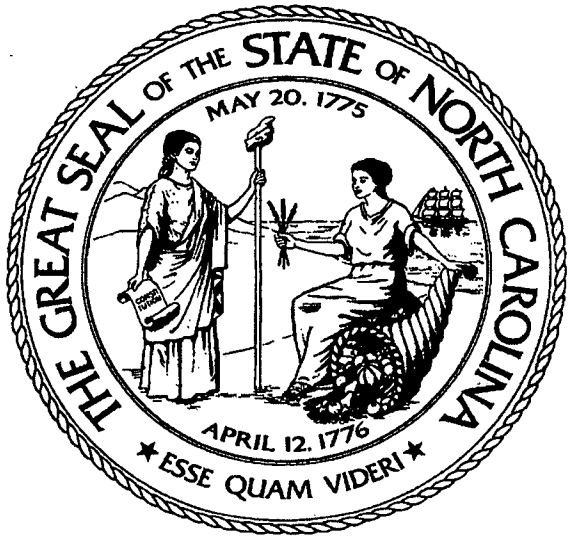
Briefing on Governor's Recommended Budget for FY 2003-05 Biennium

David McCoy – Overview if governor's recommended Budget

Charles Perusse – Summary of reductions, including Expenditures, and Expansion

Dan Gerlach – Summary of recommended revenues for 2003-05

Adjourn



Briefing on Governor Easley's Recommended Budget for FY 2003-05 Biennium

Prepared
by the
Office of State Budget and Management

March 5, 2003

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Changes in General Fund Operating Budget by Area
FY 2000-01 versus FY 2003-04 6

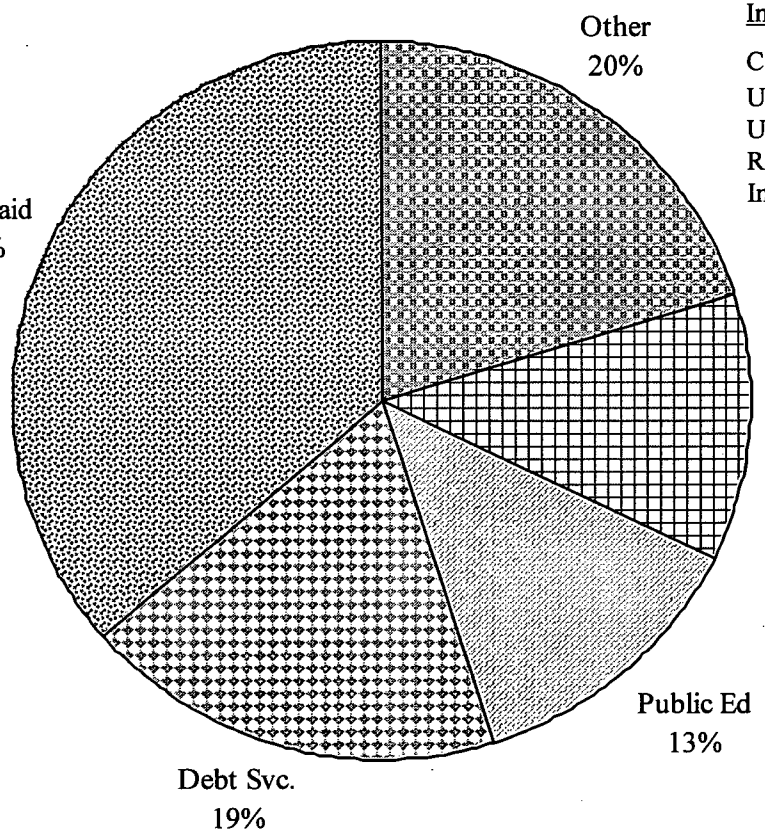
Changes in General Fund Supported Positions by Area
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Budget Availability Information (Economy and Revenues):

Summary of Recommended Revenues for FY 2003-05 Biennium 10

Recommended General Fund Budget for FY 2003-04
Summary of Continuation Budget Increases



Includes:

CWTF	$34m
UNC Reserves/ Utilities	$31m
Restore NR / Inflation	$127m

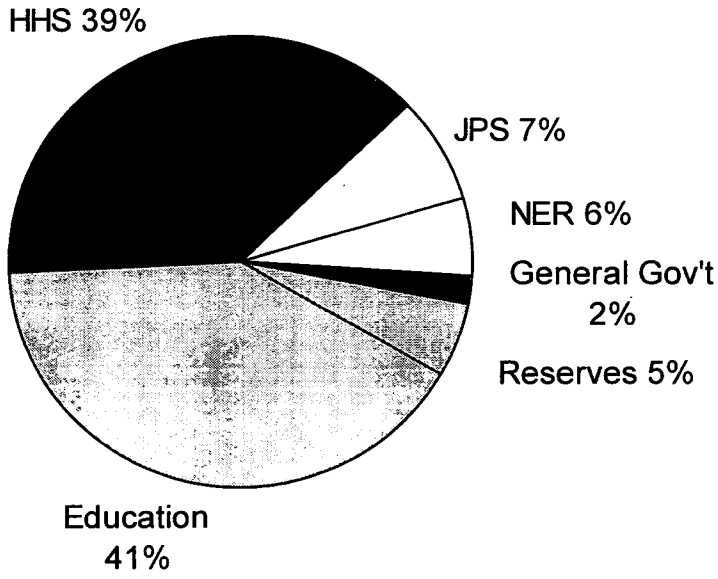
Total:	
Medicaid	$344
Public Ed	$144
Prisons	$111
Debt Service	$176
Other	$192
Total	$967

North Carolina Office of State Budget and Management Summary of Recommended Appropriations for FY 2003-05 Biennial Budget			
Line #	Description	FY 2003-04	FY 2004-05
1	**Starting Point:**		
2			
3	FY 2002-03 Budget	14,355.0	14,355.0
4			
5	Continuation Budget Increases	967.0	1,653.3
6			
7	Recommended Continuation Budget	15,322.0	16,008.3
8	Recommended Expansion Items	546.3	535.1
9	Total Recommended Budget	15,868.3	16,543.4
10			
11	Base Revenue Forecast	14,186.9	14,990.0
12			
13	**Balance**	**(1,681.4)**	**(1,553.4)**
14			
15	**Summary of Expenditures**		
16			
17	**Continuation Budget Recommendations**	15,322.0	16,008.3
18			
19	**Recommended Budget Reductions**	(835.9)	(931.0)
20			
21	**Education Expansion Items:**		
22	UNC Enrollment	46.6	46.6
23	UNC Need-Based Financial Aid	10.3	10.3
24	Community Colleges Enrollment	29.8	29.8
25	Private Colleges Enrollment	2.8	2.8
26	ABC Bonuses	101.0	
27	Teacher's Annual Step Increase	48.1	42.0
28	Class Size Reductions	25.3	25.3
29	More-at-Four Program	8.6	7.4
30	LEA Assistance Teams	0.5	
31	**Subtotal**	**273.0**	**164.2**
32			
33	**Health and Human Services Expansion Items:**		
34	CHIP Enrollment	13.1	19.1
35	Mental Health Trust Fund	10.0	
36	Easley Health Initiatives	5.0	5.0
37	Expand ACCESS Program	1.4	3.7
38	Child Abuse and Neglect Investigation Teams	0.6	0.8
39	**Subtotal**	**30.1**	**28.6**

North Carolina Office of State Budget and Management Summary of Recommended Appropriations for FY 2003-05 Biennial Budget			
Line #	Description	FY 2003-04	FY 2004-05
40			
41	**Other Expansion Items:**		
42	DOJ -- Lab Analysis / Untested Rape Kits	0.2	0.3
43	DENR -- Express Permitting	0.5	
44	HIPAA Implementation	5.0	
45	Military Affairs / Indian Affairs	0.2	
46	Board of Elections (federal match $)	4.7	0.5
47	**Subtotal**	**10.6**	**0.8**
48			
49	**Salary and Benefits Items:**		
50	State Health Plan	72.0	96.0
51	Retirement System Contribution	47.0	158.0
52	State Employees Compensation Increases (1.6%)	81.0	81.0
53	Community Colleges Faculty Salary	3.2	6.5
54	**Subtotal**	**203.2**	**341.5**
55			
56	**Capital Expenditures: Water Resources Projects**	**29.4**	
57			
58	**Total Recommended Reductions**	**(835.9)**	**(931.0)**
59			
60	**Total Expansion Items**	**546.3**	**535.1**
61			
62	**Total Recommended Expenditures**	**15,032.4**	**15,612.4**
63			
64	**Percent Change From FY 2002-03 and FY 2003-04**	**4.7%**	**3.9%**

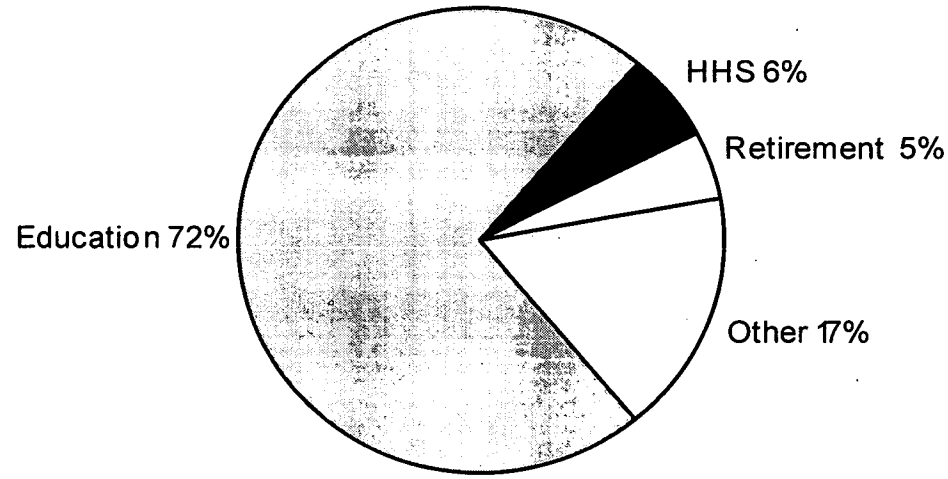
Breakdown of Recommended Reductions and Expansion by Area for FY 2003-04

Reductions:



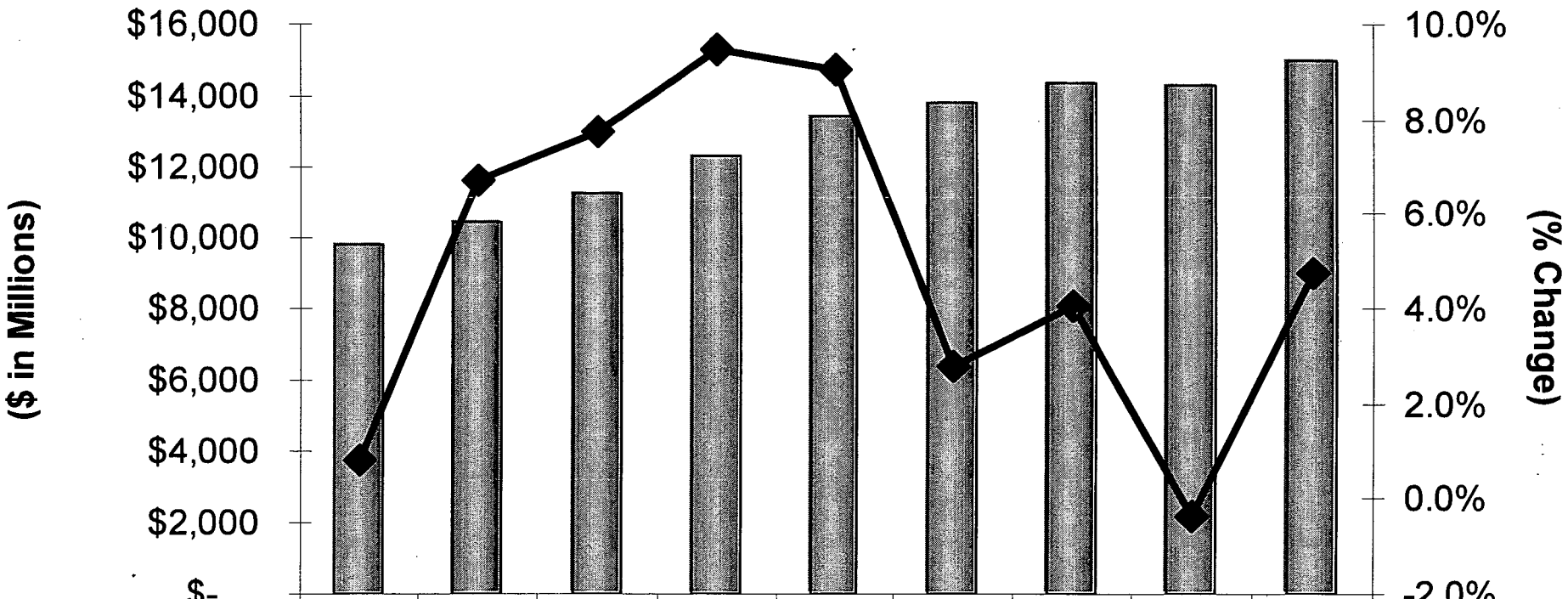
Reductions:	
Education	$341.4
Health & Human Services	$325.9
Justice & Public Safety	$61.6
Natural & Economic Resources	$46.9
General Government	$16.5
Reserves	$43.7
	$836.0

Expansion:



Expansion:	
Education	$396.3
Health & Human Services	$32.7
Retirement System Payback	$26
Other	$91.3
	$546.3

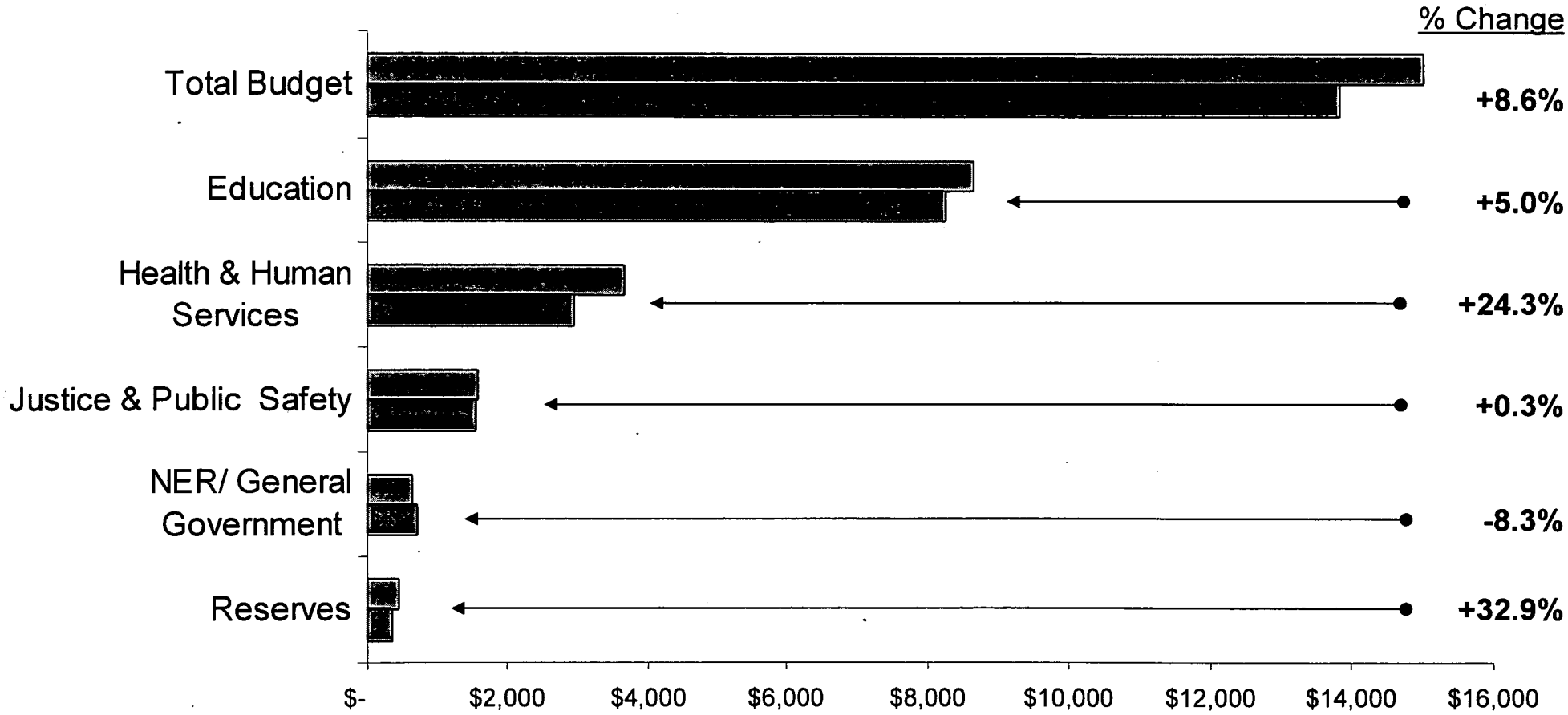
General Fund Operating Budget Changes
FY 1995-96 Through FY 2003-04



	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04
GF Op Budget	$9,793	$10,450	$11,259	$12,327	$13,442	$13,815	$14,372	$14,322	$15,003
% Change	0.8%	6.7%	7.7%	9.5%	9.0%	2.8%	4.0%	-0.3%	4.8%

Notes: Average annual increase from FY95-96 through FY00-01 was $804m or approximately 7.2%; the average increase for FY00-01 to FY03-04 is $396m or 2.9%.

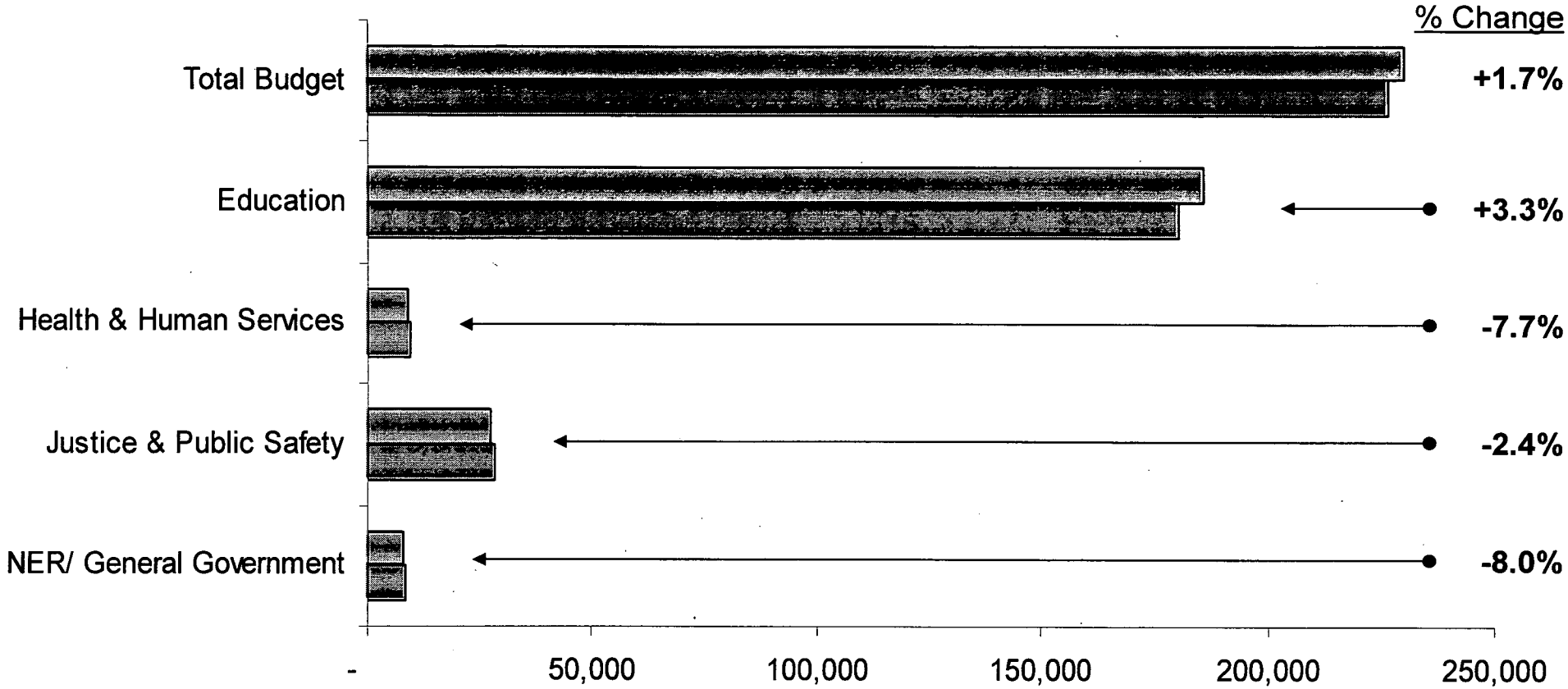
General Fund Operating Budget
FY 2000-01 vs. Recommended FY 2003-04 Budget



	Reserves	NER/ General Government	Justice & Public Safety	Health & Human Services	Education	Total Budget
03-04	$452	$653	$1,575	$3,673	$8,650	$15,003
00-01	$340	$712	$1,571	$2,954	$8,238	$13,815

($ in Millions)

Changes in General Fund Supported Positions FY 2000-01 vs. Recommended FY 2003-04 Budget



	NER/ General Government	Justice & Public Safety	Health & Human Services	Education	Total Budget
03-04	7,811	27,567	8,902	186,003	230,283
00-01	8,487	28,247	9,649	180,079	226,462

(Position Counts)

Budgeted Positions (FTE) Funded From General Fund Appropriations
FY 2000-01 vs. Recommended FY 2003-04 Budget

State Agencies & Departments	December 2000	December 2001	December 2002	Changes FY 03-04	Revised Total	% Change
Education						
Local Education -- (State Funded)						
Community College System	12,761	12,880	13,934	472	14,406	12.9%
Public Schools	138,617	139,503	142,876	(1,040)	141,836	2.3%
Subtotal Local Education	**151,378**	**152,383**	**156,810**	**(568)**	**156,242**	3.2%
UNC System	28,194	28,344	29,041	271	29,312	4.0%
Public Instruction (State Adm.)	346	327	301	-	301	-13.0%
Community Colleges (State Adm.)	161	158	148	-	148	-8.1%
Subtotal State Administration	**507**	**485**	**449**	**-**	**449**	**-11.4%**
Total Education	**180,079**	**181,212**	**186,300**	**(297)**	**186,003**	**3.3%**
Justice & Public Safety						
Administrative Office of the Court:	5,457	5,463	5,460	-	5,460	0.1%
Justice	1,124	1,110	1,088	(10)	1,078	-4.1%
Juvenile Justice & Delinq. Prev.	2,135	2,092	1,882	-	1,882	-11.9%
Correction	18,999	19,063	18,845	(3)	18,842	-0.8%
Crime Control and Public Safety	532	484	306	(1)	305	-42.7%
Justice & Public Safety	**28,247**	**28,212**	**27,581**	**(14)**	**27,567**	**-2.4%**
Health and Human Services	**9,649**	**9,155**	**8,904**	**(2)**	**8,902**	**-7.7%**
Natural & Economic Resources						
Agriculture & Consumer Services	1,125	1,090	960	(16)	944	-16.1%
Labor	354	307	266	(13)	253	-28.5%
Environment & Natural Resources	2,412	2,400	2,290	(10)	2,280	-5.5%
Commerce	388	381	360	-	360	-7.2%
Natural & Economic Resources	**4,279**	**4,178**	**3,876**	**(39)**	**3,837**	**-10.3%**
General Government						
General Assembly	420	438	447	-	447	6.4%
Governor	70	69	60	-	60	-14.3%
State Budget & Management	93	59	55	-	55	-40.9%
Office of the Lt. Governor	9	10	9	-	9	0.0%
Secretary of State	192	176	174	(2)	172	-10.4%
Office of the State Auditor	172	173	175	(3)	172	0.0%
State Treasurer	69	69	66	(3)	63	-8.7%
Insurance	347	349	365	-	365	5.2%

Budgeted Positions (FTE) Funded From General Fund Appropriations
FY 2000-01 vs. Recommended FY 2003-04 Budget

State Agencies & Departments	December 2000	December 2001	December 2002	Changes FY 03-04	Revised Total	% Change
Administration	759	729	665	(18)	647	-14.8%
Office of the State Controller	96	92	87	-	87	-9.4%
Revenue	1,183	1,210	1,189	(12)	1,177	-0.5%
Cultural Resources	730	721	677	(18)	659	-9.7%
State Board of Elections	20	20	20	-	20	0.0%
Office of Administrative Hearings	44	42	39	(2)	37	-15.9%
Rules Review Commission	4	4	4	-	4	0.0%
General Government	**4,208**	**4,161**	**4,032**	**(58)**	**3,974**	**-5.6%**
Grand Total	**226,462**	**226,918**	**230,693**	**(410)**	**230,283**	**1.7%**

North Carolina Office of State Budget and Management Summary of Recommended Revenues for FY 2003-05 Biennial Budget			
Line #	Description	FY 2003-04	FY 2004-05
1	**Budget Availability**		
2			
3	Composition of Beginning Availability for FY 2003-04:		
4			
5	Easley Executive Order #22	100.0	
6	Credit Balance FY 2002-03 (Overcollections and Reversions)	375.0	
7	Credit to Savings Reserve Account (Rainy Day Fund)	(100.0)	
8	Credit to Repairs and Renovations Reserve Account	(50.0)	
9	**Unreserved Credit Balance**	**325.0**	
10			
11			
12	Base Revenue Forecast	**14,186.9**	**14,990.0**
13	(economic growth percentages)	3.5%	5.5%
14			
15	Freeze Existing Tax Structure:		
16			
17	Maintain State Sales Tax at Current Rate	346.5	388.2
18	Maintain Top Income Tax Bracket	37.5	84.4
19	Repeal Local Government Hold Harmless	23.0	19.0
20	Freeze 2001 Tax Breaks	53.7	101.1
21	**Subtotal**	**460.7**	**592.7**
22			
23	Additional Availability Recommendations:		
24			
25	Tobacco Trust Fund	40.0	40.0
26	Health & Wellness Trust Fund	20.0	20.0
27	Unreserved Credit Balance	325.0	
28	**Subtotal**	**385.0**	**60.0**
29			
30	**Total Budget Availability**	**15,032.6**	**15,642.7**
31			
32	**Percent Change from FY 2002-03 and FY 2003-04**	**4.7%**	**4.1%**

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 5, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Carol Lauer	EGHS
Allison Rose	methodist college
Abby Emanuelson	NMSS
Kim Gay	NCACDS
Theodis Beck	NCDOC
Tracy Little	NCDOC
Donna Pygott	NCVAN
John Morgan	OSC
Debbie Pons	NCSA
Helen Baker	Wife of Legislator
Amy Ross	intern- Senator Dalton

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 5, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Solari	NCPC
Roz Sawyer	NC Child Care Coalition
Beth McEachern	NAMI NC
John Tate	Mental Health Ass'n in NC - C 2001
L Coe	NCPA
Robin Huffman	NC Psychiatric Association / Coalition 2001
Jim Elgart	DHHC
Jim Rogers	Assoc NC for Home & Hospice
Albert Eckel	CORNING
Steve Shaber	Poyner & Spruill
Evelyn Hawthorne	DHHR

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 5, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Suzanne Williams	NCCCS
J Ray Davis	UNC
Mac Williams	NCAE
Bridgett Jeffreson	Methodist College, Fayetteville, NC
Jeff Davis	UNC
Christina Brandt	Methodist College
Sheila Campbell	Methodist College, Fayetteville, NC
Monica Mann	
Kendall Byrum	Rep. Kiser's intern
Lyn Green	Methodist College, Fayetteville, NC
Elizabeth Ouzts	NCPIRG
Mike Hawkins	Advantage West

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — **Name of Committee**

MARCH 5, 2003 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Floyd Goodls	Methodist College
Andrew Newton	Methodist College
Priay Harrison	Beaufort NC
Steve Wall	CCNC
Margaret Teseira	" "
[illegible]	Smc
Sharon Miller	CUCA
JB MILLIKEN	UNC
John McMillan	Mary Fulton
Clark Gary	NCDA&CS
Carla Green	Methodist College
Jammie Starr	Methodist college
Amanda Bullar	Methodist College
Rekia R. Shaw	Methodist College

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 5, 2003

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lauren Newton	Speaker Morgan's Office
NELS ROSELAND	NC DOJ
Beth Johnson	Visiting - Senator Swindell
Macy Johnson	Visiting - Senator Swindell
Whitney Obrig	OSBM
Tina Quiller-Morgan	OSBM
Julie Mitchel	OSBM
Pam Richardson	OSBM
Rob Lamm	DHHS
Sally Hunter	OSBM
Anne Bander	OSBM

VISITOR REGISTRATION SHEET

Name of Committee

03-05-03
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Broun	OSBM
Elizabeth Groenoteir	OSBM
Trey O'Quinn	OSBM
Barbara S. Constin	
Crissey Porter	Smith Anderson
Nichelle Frazier	NC Bar Ass'n
Betsy Bailey	NC Public Transportation Assn.
Leslie Boyce	NC CBT
Lynn Mathis	Public School Forum
Jack Hyer	SBE
Devon White	PEAC
Sam Causby	NCSFSA
GARY SALAMISH	GSIC
[illegible]	NCAHP
Ray Giovanelli	Charlotte Mack. Schools / UNCC Doctoral program
Marion Bish	Cabarrus Co Schools / UNCC Doctoral Student
Misty Hathcock	UNC Charlotte Teaching Fellows / Doctoral Student
[illegible] Reyna	N.C.A.E.C
Greg Mcleod	DOJ
Susan Markham	NCSPA
Lucius PULLEN	ATTORNEY
for Rep	Gov. office
Ann McArthur	Gov's office
[illegible]	[illegible]
[illegible]	[illegible]

Joint Appropriations Committee Meeting
Governor's Briefing On The Budget
March 5, 2003

Sergeant-At-Arms: Please provide sign up sheets for attendees and speakers
Provide all hand- outs to the Committee Assistant
Record the hearing

Thanks,
Anne Misenheimer
Committee Assistant to Rep. Baker

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **JOINT APPROPRIATIONS** will meet as follows:

DAY & DATE: **Thursday, March 6, 2003**

TIME: **8:30 a.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):
Governor's Budget Briefing

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **12:00 am** on **March 5 , 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

Principal Clerk ____
Reading Clerk ____

NOTICE OF JOINT SENATE AND HOUSE APPROPRIATIONS COMMITTEE MEETING

The Joint Senate and House Committees on **APPROPRIATIONS** will meet at the following time:

DAY	DATE	TIME	ROOM
Thursday	March 6, 2003	8:30 A.M.	643 LOB

AGENDA: Presentation of the Governor's Budget

Senator Linda Garrou, Chair
Senator Walter Dalton, Chair
Senator Kay Hagan, Chair

JOINT SENATE AND HOUSE APPROPRIATIONS MEETING
March 6, 2003

A Joint Senate and House Appropriations Meeting was held on Thursday, March 6, 2003, at 8:30 a.m. in Room 643 of the Legislative Office Building. Senator Linda Garrou, Chair, Senate Appropriations Committee opened the meeting and welcomed the members and visitors.

Senator Garrou introduced Secretary Hooker-Odom, Department of Health and Human Services. Secretary Hooker-Odom briefed the Joint Appropriations Committee on the North Carolina Health and Human Services Budget proposed by the Governor. Secretary Hooker-Odom responded to several questions and comments from the members of the Committee.

Senator Garrou thanked Secretary Hooker-Odom for her briefing. She adjourned the Joint Senate and House Appropriations Meeting at 10:00 a.m.

Senator Linda Garrou, Chair

Senator Walter Dalton, Chair

Senator Kay Hagan, Chair

Christina K. Minard, Senate
Appropriations Committee Assistant

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — **Name of Committee**

MARCH 6, 2003 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Barbara Canaday	MFS
Peggy Maynard	[illegible]
Johnny Gray	OSBM
Byron Harris	OSBM
[illegible]	Wake Forest
Milton Alford	OSBM
Michael Houser	NCAE
Steve Hall	CCNC
Crissy Porter	Smith Anderson
Devon Nicole	Professional Educators of NC
[illegible]	Gov. Affairs

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 6, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Starla McKamey	NC DHHS
Jeff Davis	UNC
Judith Wolf	Legislative Counsel
Charlie Perry	Staff Budget Office
Rebecca Troutman	NCACC
John Rustin	NCFPC
Mike Dowell	NCICU
Hal Miller	NCNECT
John Bostick	Boards & Councils
Becky Smith	Clay Co Transportation
Kim Angel	Macon Area Transit Svcs - Franklin

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — **Name of Committee**

MARCH 6, 2003 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jennifer Duke	Rep. Nye's Intern
Chris Nichols	Hunton & Williams
Ruth Sappie	NCDOT
ANN MAE	DVHS
John Tote	mental Health Assn - 32031
Lu-Ann Coe	nc Psychiatric Assoc.
Jim Elgin	DHHC
Ben McLawhorn	OSC
Clara Gay	NCDHHS
MIKE BLANTON	NCDA&CS
Chad Hinton	Intern

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 6, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Ross	intern- Senator Dalton
Dallas Baker	Intern - Senator Gulley
Taylor Francis	Intern - Senator Purcell
Henry M Lancaster III	LCA
Sarah Lane	Research Asst Sen. Kinnaird
Dina Guiller-Morgan	OSBM
Wayne Williams	OSBM
DAN CRUMPLER	GOV OFFICE
Anne Bowder	OSBM
Trey O'Quinn	OSBM
Julie Mitchell	↓

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — MARCH 6, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
R. Paul Wilms	NCHBA
Doug Lassiter	NCSTA
[illegible]	Public Sch Forum
Ken Melton	Alley Associates
[illegible]	NC AFL-CIO
[illegible]	[illegible]
[illegible]	Miller Cc
[illegible]	White House
Roz Savitt	NCCU
Steve Mitchell	Novartis
Brian Shank	AstraZeneca

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John D Parker	GOOD WORK
Helen Moore	Self-Help
Michelle Frazier	NC Bar Ass'n
[illegible]	Gov's Office
[illegible]	N.C.A.C.C.
Dick Carlton	Carlton & Alexander PLLC
JANE Smith	DENR
John Phelps	NCLM
Kevin Leonard	NCDOL
Betsy Bailey	NC Public Transportation Assn.
[illegible]	[illegible]
[illegible]	[illegible]
Police Rep	[illegible]
[illegible]	NCPBS
[illegible]	NCAEC
Mark Fenn	University System
Esthering Bailey	Electric Cities
Paul Pate	NCATL
[illegible]	[illegible]
[illegible]	NHA
[illegible]	NCSBA
[illegible]	NCICU
[illegible]	[illegible]
[illegible]	NCMS
Gene Crosby	NCSFSA
Jamy Bentley	SIA

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mary Doran	VIP Cooper
Diane Perry	NCAIED
Paula Wolf	NCAIJ
Sara Upchurch	Covenant w/ NC Children
Carolyn Cobb	Program Manager
	DHHS

Linda Winstead (Rep. Jim Crawford)

From: Rosa Kelley (Rep. Sherrill)
Sent: Thursday, March 06, 2003 12:15 PM
Subject: HOUSE APPROPRIATIONS MEETING

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **JOINT APPROPRIATIONS** will meet as follows:

DAY & DATE:	**Tuesday, March 11, 2003**
TIME:	**8:30 a.m. and 1:30 p.m.**
LOCATION:	**643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

Reports will be heard from the following:
Dept. of Corrections
Dept. of Crime Control & Public Safety
Dept. of Juvenile Justice & Delinquency Prevention
Dept. of Environment & Natural Resources
Dept. of Commerce

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **12:00** on **March 6, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rosa Kelley (Committee Assistant)

3/6/2003

JOINT APPROPRIATIONS COMMITTEE MEETING
Tuesday, March 11, 2003

MINUTES

The Joint Committee on Appropriations met on Tuesday, March 11, 2003, at 8:30 AM. Representative Robert Grady was the presiding Chair. Present were sixty-four House members (please refer to attendance sheet), and twenty-seven Senate members.

All presentations were based on the North Carolina State Budget 2003-2005, and follow-up questions were answered based on information in the Governor's Budget-Summary of Recommendations.

Secretary Bryan E. Beatty presented a budget overview for the Department of Crime Control and Public Safety.

Secretary Theodis Beck gave a budget presentation for the Department of Corrections.

Secretary George L. Sweat gave an overview of the budget for the Department of Juvenile and Delinquency Prevention. Secretary Sweat's presentation was not completed before the committee adjourned, and was put on the agenda for the next scheduled meeting of the Appropriations Committee.

The meeting was adjourned at 10:00 AM.

Respectfully submitted by:

Representative Robert Grady
Presiding Chair

Peggy B. Murray
Committee Assistant

Appropriations Chairs: Representatives Rex Baker, Debbie Clary, Jim Crawford, Beverly Earle, Robert Grady, Bill Owens, Wilma Sherrill, and Thomas Wright.

JOINT APPROPRIATIONS COMMITTEE MEETING
Tuesday, March 11, 2003

MINUTES

The Joint Committee on Appropriations met on Tuesday, March 11, 2003, at 1:30 PM. Representative Robert Grady was the presiding Chair. Present were sixty-five House members (please refer to attendance sheet), and seventeen Senate members.

All presentations were based on the North Carolina State Budget 2003-2005, and follow-up questions were answered based on information in the Governor's Budget-Summary of Recommendations.

Secretary George L. Sweat completed an overview of the budget for the Department of Juvenile and Delinquency Prevention that he had begun during the previous Appropriations meeting.

Deputy Secretary Dempsy Benton presented a budget overview for the Department of Environment and Natural Resources.

Secretary Jim Fain gave a budget presentation for the Department of Commerce.

The meeting was adjourned at 2:30 PM.

Respectfully submitted by:

Representative Robert Grady
Presiding Chair

Peggy B. Murray
Committee Assistant

Appropriations Chairs: Representatives Rex Baker, Debbie Clary, Jim Crawford, Beverly Earle, Robert Grady, Bill Owens, Wilma Sherrill, and Thomas Wright.

Joint APPROPRIATIONS Committee Meeting

AGENDA
Tuesday, March 11, 2003
8:30 AM and 1:30 PM

2. Dept. of Corrections----------Secretary T. Beck
1. Dept. of Crime Control and Public Safety----------Secretary Brian Beatty
Dept. of Juvenile Justice & Delinquency Prevention----Secretary Sweat
Dept. of Environment & Natural Resources----------(Not sure)
Dept. of Commerce----------Secretary Fain

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 8:30 AM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Benson	Capitol Drugs
Jerry Bender	SIA
Henry Lancaster	LCA
	NC
Eric Scogin	KCCI7
Tyler	Smith Anderson
John Rustin	NCFPC
Robert Wilson	S.O.S

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 8:30 AM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
R. Paul Wilms	NCHBA
Ben McLawhorn	OSC
L Boca	Wake Forest
Ted Kaplan	W-S, N.C.
Julie Mitchel	OSBM
Wayne Williams	OSBM
Mark Clapp	OSBM
Jim Newell	OSBM
Theodis Beck	DOC
Curtis W. Kay	Leg. Counsel
H. Webb	Raleigh

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 8:30 AM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rebecca Trantham	NCACC
Marion Scott	GSK
	NCRA
ANN LORE	OUHS
Martha Ann McConnell	Carolinas HealthCare
Ken McHon	Alley Associates
Julie Allen	NC Statewatch
Roz Smith	NCCCC
Addie Watts	SEANC
Henry Hudaff	N.C.S.D.A.
Yvonne Perz	NCSPA

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 8:30 AM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Laura Harper	SEANC lharper@seanc.org
Paula A. Wolf	Covenant W/NC's Children
Clara Day	NCDA & CS
Dempsey Benton	DENR
Jane Smith	DENR
Tracy Little	NCDOC
Jon Williams	CCPS
Larry Dick	DJJDP
Dwayne Patterson	DJJDP
George Sweat	DJJDP
Casandra Skinner	CCPS

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 8:30 AM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
William A Dudley	CC & PS
FRED T. TUCKER	CCPS
Pam Walker	DOC
Mildred Spearman	DOC
Marcus Downs	NCAE
Lao Realpe	CJPC
Stacy Flannery	NCHCFA
Chris Nichols	Hunton & Williams
J Kennedy	NC SOS
Jamie Carmichael	CCPS
Paul Meyer	NCACC

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 1:30 PM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
	NCRA
JIM VIGEN	NC Synod office of Advocacy Ministry / ELCA
Helen Lipman	Mecklenburg County
Jane Smith	DENR
Dempsey Benton	DENR
Abby Friedman	Gov. w/ NC's children
Jane Pinsky	NCCAJ
Ben McLawhorn	DSC
Clara May	NCDA & CS
Betsy Bailey	NC Public Transportation Assn.
Chris Nichols	Hunton + Williams

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 1:30 PM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Lanier	UNCW
DAN GERLACH	GOV OFFICE
Barbara Canales	MFS-5
Hal Miller	NCACCT
Carol Rawls	EOIDS
Amy Hobbs	NCHLA
John McMillan	MFDs
Pricy Harrison	Beaufort NC
TED Kaplan	W-S, N.C.
Marcus Downs	NCAE
James Bowden	—

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 1:30 PM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Steve Wall	Conservation Council
Thomas A. Suter	Wyeth
Ardis Jattis	SEANC
Laura Harper	SEANC
Johnny Gray	OSBM
Theodis Beck	DOC
Jim Newell	OSBM
Wayne Williams	OSBM
Ed Regan	N.C.A.C.C.
Rebecca Troutman	NCACC
Suzanne Williams	NCCCS

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 1:30 PM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	Smith Anderson
Ron Haycock	County Commissioners
Ruth Sappie	NCDOT
Jeanne Hardesty	[illegible]
[illegible]	Nucor Co
Roz Swift	NCCC
Denise A. Seasons	Commerce
[illegible]	Citizen
Evelyn Hawthorne	EHGR
Elizabeth Dalton	Board Assoc.
Jack Gizzi	PARKER POE

VISITOR REGISTRATION SHEET

Committee on Joint Appropriations — 3/11/03 1:30 PM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Devon White	Professional Educators
Michelle Frazier	NC Bar Ass'n
Karen Gottovi	DHHS
Mary Bethel	DHHS
RYAN NORRIS	GRASSROOTS SCIENCE
Willie Riddick	DOR
[illegible]	DOR
Tai Mai Shaw	OMB
Norm Thom	DOR

Linda Winstead (Rep. Jim Crawford)

From: Rosa Kelley (Rep. Sherrill)
Sent: Monday, March 10, 2003 2:40 PM
Subject: Appropriations Committee Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **JOINT APPROPRIATIONS** will meet as follows:

DAY & DATE:	**Wednesday, March 12, 2003**
TIME:	**8:30 a.m. and 1:30 p.m.**
LOCATION:	**643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

Reports will be heard from the following:
Public Schools
Community Colleges
UNC System

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00** on **March 10, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rosa Kelley (Committee Assistant)

3/10/2003

Principal Clerk ____
Reading Clerk ____

NOTICE OF JOINT SENATE AND HOUSE APPROPRIATIONS COMMITTEES MEETING

The Senate and House Committees on **APPROPRIATIONS** will meet at the following time:

DAY	DATE	TIME	ROOM
Wednesday	March 12, 2003	8:30 a.m. & 1:30 p.m.	643 LOB

AGENDA: Continued Presentation of the Governor's Budget

Tentative Schedule of Presentations

8:30 a.m. **Mr. Dan Gerlach, Governor's Education Budget**
Dr. Brad Sneeden, Public School Budget
President Martin Lancaster, Community Colleges

1:30 p.m. **Governor's Efficiency Commission**

Senator Linda Garrou, Chair
Senator Walter Dalton, Chair
Senator Kay Hagan, Chair

JOINT SENATE AND HOUSE APPROPRIATIONS MEETING
March 12, 2003

A Joint Senate and House Appropriations Meeting was held on Wednesday, March 12, 2003, at 8:30 a.m. in Room 643 of the Legislative Office Building. Senator Walter Dalton presided. He welcomed the members and visitors.

Senator Dalton announced the agenda for the meeting:

1. Mr. Dan Gerlach – Governor's Education Budget

2. President Martin Lancaster – North Carolina Community Colleges

3. Dr. Brad Sneeden – Public School Budget

Mr. Gerlach presented a detailed presentation of the Governor's proposed Education Budget to the members. *(Please see Attachment 1).*

Next, Senator Dalton recognized President Lancaster to present the Governor's proposed Community College Budget. *(Please see Attachment 2).*

Senator Dalton then recognized Dr. Brad Sneeden to brief the members on the Governor's proposed Public School Budget.

Senator Dalton announced there would be a Joint Appropriations Committee Meeting at 1:30. He adjourned the meeting at 10:00 a.m.

Senator Linda Garrou, Chair

Senator Walter Dalton, Chair

Senator Kay Hagan, Chair

Christina K. Minard, Senate
Appropriations Committee Assistant

The Governor's 2003-04 Education Budget

Dan Gerlach
Office of the Governor

Despite Challenge, State Support for Education Budgets Is Up

- Budgets for all three systems will increase from 2002-03 levels
- Substantial portions in other areas of the budget (salaries, benefits, and debt service) benefit education as well

Where Did Expansion Go?

	% Exp	% Budget
Education	72%	59%
All Other	28%	41%

Where Are Education Increases?

Public Education

Enrollment Increase	$124 m
Teacher Step Increase	$48 m
ABC Bonuses	$101 m
Second Grade Class Size	$25 m

Where Are Education Increases (cont)

Higher Education

Enrollment Increases	$78 m
UNC Financial Aid	$10 m
Community College Pay	$3 m
Debt Service for Bonds	$40 m

Where Did Cuts Come From?

	% Cuts	% Budget
Education	41%	59%
HHS	39%	24%
All Other	20%	17%

Where Are Education Cuts?

Public Education

Purely Technical Adj	$50 m (23%)
Continue 2002-03 Cuts	$101 m (47%)
(Flexibility & Pub School Construction)	
Noninstructional	$29 m (14%)
One-Time	$20 m (9%)
Other	$14 m (7%)

Where Are Education Cuts (Cont)?

Community College

Flexibility	$11 m (41%)
Use Escheats for Aid	$7 m (26%)
½ of Summer Term	$3.6 m (13%)
Other	$5.4 m (20%)

Where Are Education Cuts (Conclusion)?

UNC

Flexibility	$62 m (62%)
Reduce Continuation	$21 m (21%)
Escheats for Aid	$14 m (14%)
Private Colleges	$3 m (3%)

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
J Ranquist	NCATA
Jim Blackburn	N.C. Association of County Commissioners
J Pinsky	NCCAE
[illegible]	South Anderson
[illegible]	[illegible]
Jan Worthington	UNC
Julie Jernigan	Staff
Hugh Tilson	NCATA

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Theresa Wilson	Robeson County Mental Health
Nancy Lovette	"
Gene Causby	~~AFSCME~~ NCFSA
Jim Tate	Mental Health Assn in NC
Andy Romanet	NCLM
Peggy Murphy	gm
Betsy Bailey	NCPTA
X Vic McBride	NCAE
Mike Causey	NC Justice Center
Jon Hage	NMA
Lon McKellar	Mom & Hon Allen

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DAVID BARNES	Poyner + Spruill LLP
Henry Lancaster	LCA
Rob Palacio	NC Justice
Laura Harper	SEANC
Ardis Watkins	"
ANN Lovell	OVAS
Sally Dick	DJTAP
	NCRA
Sarah Lane	Staff
Albert Echel	CONNING
Frank Grad	Gov.'s office

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Brad Sneeden	NCDPI
Cathy Franklin Griffin	UNC Board Student ~~Student~~ Lobbyist @ NCCCS
Fred Williams	NCCCS
Camille Stell	Kennedy Covington
Kathryn Sawyer	Charlotte Chamber
Ken McHow	Alley Associates, Inc.
Katherine Joyce	Electric Cooperatives
John Lyons	N.C. State Grange
Hal Miller	NCDECI
John McHugh	(no affil.)
Roz Sawyer	NCCCC

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Beth Melcher	NAMI NC
Anne Bander	OSBM
Elizabeth Greenstein	OSBM
Tracy O'Quinn	OSBM
Johnny Gray	OSBM
[illegible]	OSBM
Charlie Penny	OSBM
Milton Alford	OSBM
Kathleen Oathout	NAMI NC
Cara Oathout	NAMI NC
STAN OATHOUT	NAMI - WILMINGTON
Paul Taylor	Carolina Hosp Assn.

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	NCCCS
Tommy Rhodes	WJCC
[signature]	NCSTA
[signature]	WCPSS
Devon White	PEAC
Mark Fleming	University System
Joni Alberg	BEGINNINGS for Parents of Children D/HOH
Barbara Carson	MFSS
Susan Markham	NCSPA
[signature]	UIF
Ann McArthur	Governor's Office

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 8:30 A.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben McLawhorn	OSC
Marcus Davis	NCAE
Michael Houser	NCAE
Joel Harper	NCBCE
Amy Dobson	NC State Natch
Martin Lovvorn	NCCCS
	NCCCS
	SBE
Becky McCarley	DPI

JOINT SENATE AND HOUSE APPROPRIATIONS MEETING
March 12, 2003

A Joint Senate and House Appropriations Meeting was held on Wednesday, March 12, 2003, at 1:30 p.m. in Room 643 of the Legislative Office Building. Senator Kay Hagan, Chair, Senate Appropriations Committee, opened the meeting and welcomed the members and visitors.

The first presenter was Mr. Dan Gerlach of the Governor's Staff. Mr. Gerlach briefed the members on the Governor's Commission to Promote Government Efficiency and Savings on State Spending. *(Please see Attachment 1).*

Next, Representative Owen presented the 2003 Report of the House Select Committee on State Government Efficiency – Report to the North Carolina General Assembly." Ms. Michele Nelson and Ms. Marilyn Chism, Fiscal Research Analysts, summarized the report for the members. *(Please see Attachment 2).*

Senator Hagan adjourned the meeting at 2:30 p.m.

Senator Linda Garrou, Chair

Senator Walter Dalton, Chair

Senator Kay Hagan, Chair

Christina K. Minard, Senate
Appropriations Committee Assistant

The Governor's Commission to Promote Government Efficiency and Savings on State Spending

Dan Gerlach
Office of the Governor

Latest in Series of Commissions

- General Assembly's Government Performance Audit Commission (GPAC) in early 1990s was the most notable
- Gov. Easley began his efficiency work with internal groups and the 2001 Efficiency & Loophole-Closing Commission

The 2002 Commission

- Chaired by Jim Hyler, Vice Chair of First Citizens Bancshares and Chair of NCCBI
- Comprised of members from private sector, local government, and legislature
- Organized into subcommittees on government processes, capital management, and government structure

Commission Findings

- Preliminary Recommendations in May/Jun
  - Utility savings
  - Centralize revenue collection
  - Renegotiation of contracts
  - Management Flexibility
  - Consolidation of functions in regions
  - DMV Enforcement transfer

Commission Findings (Cont)

- Over 75 recommendations (a number restated from GPAC recommendations)
- Emphasis on the need to maintain discipline in long-term and follow up on implementation
- Goal is to set the framework for systemic reform and cost reduction

Process Recommendations

- Personnel – mirror private sector practices
- Information Technology
  - Identify all of the costs
  - Establish clear lines of authority
  - Take advantage of economies of scale
  - Use technology to transform business

Structure Recommendations

- Explore privatization/managed competition
  - Identify and sell surplus state property
- Shift authority for service provision
  - Consolidate workforce development
- Provide services more efficiently
  - Consolidate administrative/support functions
  - Reduce program duplication

Capital Recommendations

- Improve energy efficiency
- Consolidate offices/office space where feasible
- Explore use of new financing tools, such as tax-advantaged leasing and certificates of participation

Systemic Change Recommendations

- Reduce boards/commissions
- Use zero-based budgeting
- Renew budget flexibility
- Give incentives to control costs
- Mandate follow-up and establish entities to ensure follow-up

Commission Follow Up

- All Cabinet agencies, Council of State members, and education system leaders were asked to respond to recommendations by February 14
- This request included the opportunity for agencies to describe how they would implement recommendations or alternatives that achieve the same goal

Next Likely Steps

- Work more closely with agencies on the recommendations, now that the Executive Budget is completed
- Take advantage of substantial private sector interest in these efforts
- Take advantage of recent retirees to identify cost-saving targets
- Work with General Assembly

ATTACHMENT 2

2003 REPORT OF THE HOUSE SELECT COMMITTEE ON STATE GOVERNMENT EFFICIENCY

REPORT TO THE 2003 GENERAL ASSEMBLY OF NORTH CAROLINA

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House Select Committee on
State Government Efficiency

January 15, 2003

TO THE MEMBERS OF THE 2003 GENERAL ASSEMBLY:

The House Select Committee on State Government Efficiency submits its report to you for your consideration.

Respectfully submitted,

Rep. James Crawford, Co-chair

Rep. William Owens, Co-chair

HOUSE SELECT COMMITTEE ON
STATE GOVERNMENT EFFICIENCY

MEMBERSHIP

Representative James Crawford, Co-chair
Representative William Owens, Co-chair
Representative Charles Buchanan
Representative Walter Church
Representative Nelson Cole
Representative Beverly Earle
Representative Stanley Fox
Representative Richard Morgan
Representative Drew Saunders
Representative Wilma Sherrill

Staff:

Ann Jordan, Committee Clerk

Marilyn Chism, Fiscal Analyst
Erika Churchill, Committee Co-Counsel
Michele Nelson, Fiscal Analyst
Wendy Graf Ray, Committee Co-Counsel

Charge of the Select Committee

The House Select Committee on State Government Efficiency, hereinafter the "Select Committee", was created by the Speaker of the House of Representatives in response to the need for increased efficiency and productivity of State government. Over the past several years, North Carolina has seen unemployment rise, manufacturing plants close, the economy decline, and State budget deficits grow. During budget year 2001-2002, the Governor implemented cost savings measures to insure the State did not operate at a deficit. Additionally, the Governor created the Commission to Promote Government Efficiency Savings on State Spending, which undertook the task of reviewing all aspects of State government in order to recommend changes to increase efficiency.

The Speaker charged the Select Committee with the task of reviewing the work, conclusions and recommendation of the Governor's Commission to Promote Government Efficiency Savings on State Spending and other committees previously studying efficiencies in government. In completing this task, the Select Committee was to determine the most efficient use of funds entrusted to State government, including eliminating duplication of effort and insuring maximum benefit from the funds for the people of North Carolina. The Select Committee is to report it's finding, with any proposed legislation prior to the convening of the 2003 General Assembly.

Committee Proceedings

The House Select Committee on State Government Efficiency held five full Committee meetings before the start of the 2003 Session of the North Carolina General Assembly. The Committee also divided into two separate Subcommittees, and those Subcommittees each met two times and reported back to the full Committee.

First Meeting – September 4, 2002

At its first meeting, held on September 4, 2002, Representative Crawford and Representative Owens, Co-Chairmen of the Committee, each made opening remarks and explained the Committee's charge.

Next the Committee heard from Dan Gerlach, Governor's Senior Advisor on Fiscal Affairs. Mr. Gerlach gave the Committee an overview of the activities of two commissions formed by the Governor: the Governor's Commission to Promote Government Efficiency and Savings on State Spending, and the Commission on Efficiency and Loophole Closing.

A discussion by Committee members followed. Several Representatives listed concerns and issues they would like to see addressed by the Committee. Those concerns included duplication of government services, motor fleet management, State employee incentives, zero-based budgeting, State purchasing, consolidation of office space, State surplus property, State personnel, information technology, State construction, and prescription drug costs.

Second Meeting – November 21, 2002

At the second meeting, held on November 21, 2002, the Committee heard a presentation from John Leaston, State Purchasing Officer. Mr. Leaston discussed efficiency in the Division of Purchase and Contract and provided the Committee members with a handout listing his recommendations for increased efficiency and cost savings in State purchasing. After questions and discussion by the Committee, it was decided that appointing a Subcommittee to look at Mr. Leaston's suggestions in greater detail would be appropriate.

Next the Committee heard a presentation from Speros Fleggas, Director of the State Construction Office. Mr. Fleggas offered his observations and recommendations for increased efficiency in the area of State construction. Again, after discussion by the Committee, it was decided that appointing a Subcommittee to look at Mr. Fleggas' suggestions in greater detail would be appropriate.

Representative Crawford agreed to chair the Subcommittee on State Purchasing, and Representatives Cole, Earl, Fox, and Sherrill were appointed to the Subcommittee. Representative Owens agreed to chair the Subcommittee on State Construction, and

Representatives Buchanan, Church, Morgan, and Saunders were appointed to that Subcommittee.

Other concerns raised by Committee members before the meeting adjourned included centralization of the Office of State Personnel, performance incentives for State employees, the ratio of personnel employees to general employees in State agencies, and State surplus property with no anticipated future use.

Third Meeting – December 4, 2002

Separate meetings of the Subcommittees on State Purchasing and State Construction preceded the third meeting of the full Committee, held on December 4, 2002.

Subcommittee on State Purchasing:

The Subcommittee on State Purchasing, Chaired by Representative Crawford, met to discuss the suggestions offered by John Leaston at the previous full Committee meeting. The Subcommittee first heard from Frayda Bluestein from the Institute of Government, who was asked to present her suggestions for increased efficiency in purchasing. She expressed to the Subcommittee her opinion that the main thing needed right now is training and education in order to make the most out of the resources and tools currently available.

Mr. Leaston then answered questions from the Subcommittee members regarding what types of purchasing, and how much purchasing, is covered by the Division of Purchase and Contract. He stated that statutory changes would not be necessary in order to implement some cost saving strategies, but the Division would appreciate the support of the General Assembly if it encountered resistance upon implementing changes.

The Subcommittee then reviewed each of the suggestions made by John Leaston at the previous full Committee meeting. There was discussion about the amount of warehouse space the State owns or leases and how much money could be saved by closing warehouses that would no longer be necessary with direct delivery of supplies. George Millsaps, with the Department of Administration, gave an update on the activities of the Governor's Efficiency Commission with regard to State vehicles and aircraft. Mr. Carlton responded to questions from the Subcommittee regarding employee travel. He said that this issue has been studied repeatedly. Mr. Leaston suggested that a central travel office might be beneficial in placing employees together for carpooling purposes. Finally, the Subcommittee discussed the possibility of advertising on State travel maps to cover printing costs. After discussion, it was agreed that the idea would have to be looked at very carefully to determine what types of advertising would be appropriate.

Subcommittee on State Construction:

The Subcommittee on State Purchasing, Chaired by Representative Owens, met to discuss the suggestions offered by Speros Fleggas at the previous full Committee meeting. Mr. Fleggas began by reviewing his suggestions, which he distributed in a handout.

Following Mr. Fleggas' remarks, a discussion ensued regarding the number of people working in State construction, particularly the number of employees in the State Construction Office and the number of employees in construction with the University System. Kevin McNaughton, with the University System, was present to answer questions. He estimated that they have 135 employees currently, although some are temporary due to recently acquired bond money. Mr. Fleggas estimated that the State Construction Office has 32 technical and 50 administrative employees.

Representative Owens then inquired about the use of prototypes in State construction. Mr. McNaughton explained that prototypes were experimented with in State Parks, but they were not successful because of different construction conditions in different regions. Representative Owens suggested that Mr. McNaughton look to the Department of Public Instruction and their use of prototypes as an example.

Finally, the Subcommittee adopted the recommendations of Mr. Fleggas but also encouraged the State Construction Office and the University System to continue discussions and work together on future recommendations.

Full Committee:

The full Committee met immediately following the Subcommittee meetings, and the meeting started with a report from each of the Subcommittee Chairs. The full Committee adopted the recommendations of the Subcommittees along with any proposed legislation that would be required to carry out the recommendations.

The Committee then heard a presentation by Thomas Wright, Director of the Office of State Personnel, who also provided the Committee with a list of recommendations. When asked if he would recommend centralization of personnel divisions, Mr. Wright said that he believed it would be a challenge to keep a handle on statewide activities under a completely centralized system.

Lanier Cansler, Deputy Director with the Department of Health and Human Services, was then recognized to make a presentation on North Carolina's Medicaid Program. Mr. Cansler pointed out that they do not currently have the resources to properly manage and control the program. He advised that the best thing the Legislature can do is to set goals for the program and then give them the flexibility to accomplish those goals.

Again it was decided that the Committee should divide into Subcommittees to study the issues of State Personnel and Medicaid further prior to the next full Committee meeting.

Fourth Meeting – December 17, 2002

Separate meetings of the Subcommittees preceded the fourth meeting of the full Committee, held on December 17, 2002.

Subcommittee on State Personnel:

The Subcommittee, Chaired by Representative Crawford, met to discuss the suggestions offered by Thomas Wright at the previous full Committee meeting. Mr. Wright reviewed his suggestions and reported that his main concern was a revision of Chapter 126 of the General Statutes, basically rewriting the State Personnel Act. Mr. Wright also expressed concerns about the employment compensation system and insurance for employees. As these issues are extremely complex, Representative Crawford asked that Mr. Wright and the Office of State Personnel provide more detailed information and suggestions in the future.

Subcommittee on Medicaid Program:

The Subcommittee, Chaired by Representative Owens, met to discuss the suggestions offered by Lanier Cansler at the previous full Committee meeting with regard to Medicaid. Mr. Cansler explained some things that were being done by other states with prescription drugs: prior authorization lists, preferred drug lists, and supplemental rebates. Representative Owens asked about the possibility of expanding the prior authorization list, but Mr. Cansler was not sure how much money that would save or by how much the list could be expanded within a certain time frame.

Mr. Cansler requested that the Department be given support in two major areas: flexibility in attaining goals and elimination of programmatic areas. He said that there are ways to increase efficiency within the program, but it may take an initial investment to implement them and save money in the long term.

Full Committee:

The full Committee met immediately following the Subcommittee meetings, and the meeting started with a report from each of the Subcommittee Chairs. Ralph Campbell, State Auditor, was then recognized to give an overview on the performance audit of the State Construction Process and the State Construction Office.

Joe Henderson from the State Property Office spoke to the Committee next. He stated that the job of the State Property Office is to act as a primary broker for State agencies. The Office maintains an inventory of land and buildings, but Mr. Henderson

explained that it is not detailed enough to determine how effectively the property is being utilized. He said that there probably is some surplus property in the State, but it has not been identified. Discussion followed about the State Property Office's other functions and possible ways to identify and utilize surplus property.

Fifth Meeting – January 15, 2003

The Committee held its fifth meeting on January 15, 2003. Representative Church spoke to the Committee first on behalf of Dr. Rance Henderson, who was unable to attend the meeting. His recommendation was to consolidate two facilities in Morganton, which he explained to the Committee would bring considerable savings to the State.

Jeff Davies spoke to the Committee next in order to respond on behalf of the University System to the State Auditor's Performance Audit on the State Construction Process and the State Construction Office. An overview of the audit and recommendations had been presented to the Committee at a previous meeting.

Following the presentations, the Committee engaged in some discussion of items they would like to see included as recommendations in the Committee's final report. The Committee then reviewed and approved its final report to the General Assembly with the amendments adopted.

Recommendations

The House Select Committee on State Government Efficiency and its Subcommittees recommend more extensive review of the following items as deemed suitable by either the Full House Appropriations Committee or upon its delegation to the respective appropriations subcommittees, or by House substantive committees appointed in the 2003 Regular Session:

I. Department of Administration

A. Purchase and Contract Division

The Committee invited comments from an attorney with the Institute of Government (IOG) and recommendations from the Department of Administration. The Committee recognized that some aspects of state purchasing and contracting (e.g., competitive bidding) are inherently inconsistent with efficiency because of the public sector environment within which the State operates. The Committee endorsed the recommendation of the IOG attorney that increased efficiency will result if more training is provided on the use of the Internet, e-procurement, and strategic sourcing to ensure that purchasing and contracting personnel become contract managers and not just purchasers. The Committee endorsed the Department's recommendations outlined in Appendix 1, with the following exceptions and additional considerations:

The Committee recognized that an endorsement of strategic sourcing might involve making a policy decision that affects agencies' flexibility to deal with local vendors. The Department also believed that further review of how well strategic sourcing is being utilized in other states is necessary. With these considerations in mind, the Committee asked the Department to provide an estimate of the savings that could result from implementing strategic sourcing contracts. Regarding the Prime Vendor and the Just-in-Time Concepts, the Committee asked the Office of State Property to provide an inventory of the State's warehouse and storeroom space. (Refer to C(2) below). The Committee also adopted a recommendation that the Office of State Budget and Management survey the State agencies on their utilization of their assigned warehouse and storeroom space. Also, the Committee recognized there exists statutory authority for strategic sourcing contracts as well as the use of the Prime Vendor and Just-in-Time concepts. However, the Committee recommends legislation that requires the study of the use of these types of contracts where feasible.

The Committee considered the recommendations of the Governor's Efficiency Commission on Vehicles and Aircraft. Those recommendations included implementing statewide fuel contracts, maximizing maintenance

assets, implementing a State contract for aviation maintenance, and a review of the efficiency of existing aircraft.

The Committee recommended further review of the studies conducted by the Office of State Budget and Management on employee travel and Motor Fleet Management.

The Committee recommended that the General Assembly consider developing and adopting a policy on the use of advertising on State maps to pay for printing

B. State Construction Office

In response to the Committee's request to discuss the means of improving the process and procedures affecting State construction projects, the State Construction Office offered and the Committee adopted the five (5) recommendations outlined in Appendix 2. A sixth, recommendation presented by the chairs was added to the list, and directs the Office to consider construction costs that would be more in line with the private sector in an effort to be more cost efficient. The Committee considered and endorsed the recommendations of the Performance Audit on the State Construction Process and the State Construction Office released by the Office of the State Auditor on December 17, 2002. The findings and recommendations from the performance audit are outlined in the audit's Executive Summary in Appendix 3. The complete report is available from the Auditor's Office or from www.ncauditor.org.

C. State Property Office

The list of topics considered by the Committee included (1) the identification and disposal of State surplus property over 500 square feet and (2) a review of warehouse space owned and leased by the State. In response to C(1) the Committee adopted the recommendation of the State Property Office, which involves a six-step procedure for identifying and disposing of surplus State-owned land with relevant statues and APA rules that would be affected -- refer to Appendix 4. Additionally, printouts of owned and leased warehouse space prepared by the State Property Office are on file with the Fiscal Research Division and available for review. The Committee also reviewed a cost to lease analysis related to C(2), and the recommendations which outline the approach to permanent vs. non-permanent State facilities -- refer to Appendix 5. As a final measure related to the State's property matters, the Committee recommends a decentralized approach in selecting locations for warehouse space, and the General Assembly's consideration of the findings in the Regional Office Consolidation Plan that is due to the Chairs of the Appropriations

Committees of the Senate and the House and Fiscal Research Division on February 1, 2003.

II. Department of Health and Human Services

Discussion of potential areas in which to achieve efficiency included consideration of the State's Medicaid cost. The Department prepared a 3-page handout that addressed budget reduction issues and efforts to achieve efficiencies related to Medicaid and other Human Services programs that are detailed in Appendix 6. The Committee endorsed the efficiency measures presented by the Department.

III. Office of State Personnel (OSP)

At the request of the Committee, OSP presented a list of items that were considered measures to making State Personnel and Human Resources more efficient. The efficiencies outlined in Appendix 7 were reviewed by the Committee and include rewriting the State Personnel Act through revisions to G.S. 126.

The Committee wants to go on record as recognizing that State employees are the State's most important asset. Additionally, assessment of measures to motivate State employees should include input from line personnel.

IV. Department of Transportation

The Committee endorses a review of the budget and operations of the department.

V. Consolidation of Functions/Facilities

The Committee accepted combining the Office of Education Services with the Superintendent's Office in Morganton.

VI. Zero-based Budgeting

The Committee endorses the concept of zero-based budgeting, and suggests that the General Assembly implement this concept.

VII. Continue the House Select Committee on State Government Efficiency

In consideration of the many issues that arose during the Committee proceedings that were not addressed, the Committee recommends reappointment of the Committee in the 2003 Regular Session.

LEGISLATIVE PROPOSAL

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H **D**

BILL DRAFT 2003-ST-3 [v.3] (1/10)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
1/22/2003 1:14:58 PM

Sponsors: Representative.

Referred to:

A HOUSE RESOLUTION DIRECTING THE APPROPRIATIONS COMMITTEE TO EXAMINE POTENTIAL COST SAVINGS AND METHODS OF EFFICIENCY IN STATE GOVERNMENT.

Be it resolved by the House of Representatives:

Whereas, North Carolina has, over the last two years, experienced unemployment, loss of manufacturing jobs and weak economic growth that has diminished State government tax revenue, and

Whereas, the Speaker of the House of Representatives appointed the House Select Committee on State Government Efficiency to review the work of various commissions and report to the members of the House of Representatives on methods and means of promoting the most efficient use of funds entrusted to State government, and

Whereas, the Select Committee met, hearing proposals of cost savings and methods of promoting efficient use of governmental resources from several agencies, and

Whereas, the Select Committee determined that additional study of cost savings is warranted prior to wholesale implementation of the efficiency proposals presented to the Select Committee, and

Whereas, the most efficient vehicle for further study and implementation of the various proposals could be accomplished by the Appropriations Committee of the House of Representatives,

Now therefore it is resolved by the House of Representatives that:

SECTION 1. The Appropriations Committee of the House of Representatives shall study the potential use and requirement of the following recommended by the agencies:

1. Department of Administration
   a. Purchase and Contract Division.

1) Strategic Sourcing.
2) Prime Vendors.
3) Just-in-time method of inventory, where feasible.
4) Pooling of resources for heavy equipment vehicles and aircraft owned by the State.
5) Use of motor pool vehicles or rental vehicles for employee travel.
6) Selling advertising space on State maps to supplement printing costs.

b. State Construction/University System.
1) Uniform policies, procedures, forms and contract documents.
2) Independent third party oversight and control over expenditure of construction funds.
3) Recentralization of construction oversight.
4) Implementation of the State Auditor's findings and recommendations of the 2001 performance audit of the division.

c. State Property
1) Method of identifying and selling surplus real property.
2) Consolidation of regional office space and warehouse space.

2. Division of Health and Human Services
a. Efficiencies in the Medicaid program and other services provided.

3. Office of State Personnel.
a. Ratio of personnel staff to employees.

4. Department of Transportation.
a. Review of the budget and operations of the Department.

5. Consolidation of Functions and/or Facilities.
a. Combining the Office of Education Services with the Superintendent's Office in Morganton.

6. Zero-Based Budgeting.
a. Implementation of the zero-based budgeting method.

7. Continuation of the House Select Committee on State Government Efficiency.

SECTION 2. This resolution is effective upon adoption.

APPENDICES

Efficiency and Cost Saving Ideas

Strategic Sourcing – Consolidate more commodities to increase volume and discounts on statewide or agency-specific term contracts. This also minimizes the need for agencies to get repetitive quotes on items. Modest increase in centralized procurement resources can decrease overall staffing needs statewide.

Prime Vendor Concept – Use of a prime vendor to warehouse, inventory, and ship may reduce the need for warehouse space, in-house delivery systems (trucks and drivers), or stock maintenance staff. The Department of Correction, which buys in bulk for a central warehouse then distributes to locations statewide, might benefit from this. The wide range of pharmaceuticals used by state hospitals and institutions could also lend itself to the prime vendor concept.

Just-In-Time – Another way to reduce warehouse stock takes advantage of streamlined online ordering and next day delivery for common items such as office supplies. In some cases, delivery can be made directly to the requester ("desktop delivery").

Vehicles and Aircraft – Study ways to balance equipment needs with patterns of usage. Examples include Department of Transportation's heavy equipment and trucks and aircraft at various agencies. Purchase of equipment, parts, and maintenance are all part of the total costs.

Employee Travel – Consider whether it is more cost-effective for state employees to use government-owned (motor pool) cars or private car rental (under state contract) for travel.

Printing – Study use of advertising on state maps to pay for printing costs. (Similar concept is used for certain other publications such as wildlife guide/rules.)

JAL/P&C

Revised January 8, 2003

HOUSE SELECT COMMITTEE ON GOVERNMENTAL EFFICIENCY
STATE CONSTRUCTION OFFICE
RECOMMENDATIONS
November 21, 2002

- Enhanced consistency in the way the State manages and oversees the capital construction process.

  - Uniform policies, procedures and contract documents; and
  - Enforcement of policies and procedures.

- OC-25 certification process and procedures should be followed by all agencies and institutions to assure that project budget are adequately funded but not excessively inflated, project scopes are well defined and that unit prices are consistent and have proper backup with FCAP reports where applicable.

- Independent third party oversight and control over expenditure of construction funds.

- Performance contracting method authorized under HB633 should consider FCAP information and reports (specifically energy reports developed through FCAP surveys and inspections) and life cycle cost analyses in the RFP process.

- Decentralization of construction oversight has resulted in inconsistencies in reporting and likely duplicative responsibilities and inefficient operations.

Additional Recommendation per Committee Chairs:

- Examine ways to reduce construction costs of State buildings and facilities to be more in line with the private sector in an effort to be more cost efficient.

EXECUTIVE SUMMARY

Program Description

The State Construction Office (SCO) within the Department of Administration is charged with implementing, managing, and coordinating the State's capital improvement program under the rules and regulations established by the State Building Commission (Commission). A number of other State agencies also have oversight and / or regulatory responsibilities for specific portions or areas of State construction projects (see page 10). At 6/30/02, there were 1,316 on-going projects with a total value of $4.6 billion; 640 of those were in the construction phase, with 676 in the design phase. Of the total projects, 196 were Community College projects, 525 were University projects, and 595 were State agency projects.

Conclusions in Brief

Many of the recommendations contained in this report, if implemented, would have a significant effect on the costs of State construction projects. There are several recommendations for which we cannot attach a specific savings amount. There are others for which we can only offer a range of potential savings since the actual savings would depend on the specifics of each future project. Finally, the report also contains several recommendations that would require the State to spend additional funds, mostly for increased staffing at SCO. Many of the recommendations are interrelated. At best, we can only project a range of savings between $150 to $400 million if these recommendations are implemented. Recommendations that would results in savings are:

- Better quality designs could reduce the number of change orders needed, thereby reducing the amount of contingency used for changes to project scope and reducing the total project costs.
- The appropriate choice of a construction management option could result in fewer construction errors and resulting change orders and improve completion times, thereby avoiding unnecessary costs.
- Decreasing plan review time would allow projects to start sooner; increasing SCO oversight and coordination of decentralized projects would help keep projects on time. These changes would require more staff and the implementation of an "express review" option. They would work to reduce the amount of inflation over the life of a project by reducing the amount of time required to complete projects.
- By accurately evaluating the performance of designers and contractors on a timely basis, the State Building Commission can disqualify those whose poor performance added time and costs to projects, thereby saving State funds.
- Involvement of facilities maintenance staffs in the plan review stage could prevent potential on-going maintenance problems, thereby reducing maintenance costs and time, as well as working to standardize State building infrastructure.

Other recommendations would improve SCO's procedures and enhance its performance.

- Obtaining necessary funding to complete development of INTERSCOPE, SCO's interactive information and workflow management system, would better serve SCO clients and improve oversight of state construction projects.

- Having all legislatively exempted construction projects periodically report their status to SCO would improve information flow and work to maintain consistency of the State's capital improvement program.
- Continuing to work with the HUB Advisory Committee to refine Historically Underutilized Businesses recruitment efforts should result in increased HUB participation on State construction projects.
- Developing workload measures and time reporting by function will allow SCO management to better determine staffing needs and provide documentation for staffing requests.

Specific Findings **Page**

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- SCO's design review times exceed informal deadlines ... 15
- SCO has inadequate technology and databases contain invalid / incomplete data. ... 16
- The current contractor / designer evaluation process is not effective ... 18
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NC's CONSTRUCTION PROCESS

STATE BUILDING COMMISSION
Directs State's Capital Improvement Program



STATE CONSTRUCTION OFFICE
Reviews, approves plans; monitors construction



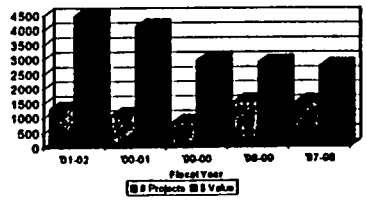
CONSTRUCTION INDUSTRY (Including HUBs)
Build, repair, renovate State buildings



STATE CONSTRUCTION OFFICE

- Implements, manages, coordinates Capital Improvement Program
  - Contract Administration
  - Design Review
  - Construction
  - Consulting Services
  - FCAP

State Capital Improvement Projects
FY97-98 thru FY01-02



FY01-02: $4.6 billion, 1,316 projects

MAJOR CONCLUSIONS:

1: Project Management

Changes to project management could significantly reduce the cost of construction projects.

2. Decentralized Projects

Decentralization impedes consistency and information flow.

3: Organization / Staffing

SCO staffing may be inadequate.

MAJOR RECOMMENDATIONS:

1

Implement an "express review" option.

a) Reduce review time
- ❑ Start projects sooner
- ❑ Reduce inflation creep

b) Improve design quality.
- ❑ Reduce # of change orders
- ❑ Reduce contingency $ used.

c) Involve facilities maintenance staff in review process
- ❑ Prevent maintenance problems
- ❑ Lower maintenance costs
- ❑ Help standardize infrastructure systems

2

Increase SCO oversight and coordination.

a) Require periodic status reports to SCO for all decentralized programs
- ❑ Improves information flow
- ❑ Helps maintain program consistency
- ❑ Helps control time and scope creep
- ❑ Helps control costs

3

Develop workload and performance measures.

a) Re-examine professional salaries
- ❑ Fund prior upgrade
- ❑ Seek permission to pay overtime

b) Use workload data to identify / justify staffing needs
- ❑ Document time by function

AGENCY RESPONSE:

Exploring "express review," ways to improve process

Will implement changes directed by General Assembly

Defining workload measures; pursuing upgrade funding

North Carolina
Department of Administration

Michael F. Easley, Governor
Gwynn T. Swinson, Secretary

State Property Office
Joseph H. Henderson, Director

January 13, 2003

MEMORANDUM

TO: House Select Commission on Governmental Efficiency

FROM: Joseph H. Henderson

SUBJECT: Report on State Land

Per your request, attached please find recommendations regarding a procedure for identifying and disposing of surplus state-owned land, together with pertinent statutes and APA Rules. You had further requested a list of surplus land available for immediate disposition. We have not had the opportunity to compile such a list. The Governor's Efficiency Commission has this matter under consideration, and I will provide this information to you once the Commission's report is issued. The lease vs. own analysis you requested has not been completed yet, but we hope to have this done by your meeting date.

I will be present at your next meeting and will be happy to answer any questions you may have about our report.

Cc: Secretary Gwynn T. Swinson

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HOUSE SELECT COMMISSION ON EFFICIENCY

G.S. 143-341 G.S. 143-341.(4)h	Powers and duties of the Department. To require any State agency to make reports regarding the land and buildings owned by it or allocated to it at such times and in such form as the Department may deem necessary.
Step 1:	Send each agency a printout of the Complex Summary Report listing its land holdings.
Step 2:	Require each agency to provide mapping of the land in each complex in sufficient detail to determine the location of the land, location and nature of improvements on the land and current use of the land. Tax maps and aerial photography or GIS generated maps will be acceptable.
Step 3:	Require each report submitted in accordance with Step 2 above, to include a narrative explanation as to the current use of the land and the land's importance to the mission of the agency, a justification for the retention of the land, and identification of any land not required for current or future use.
Step 4:	The State Property Office will review the maps and reports and where deemed appropriate make site inspections of the land to ascertain any lands suitable for disposition. The reviews and site inspections will be made in cooperation with the affected agency.
Step 5:	Those lands determined by both State Property Office and the affected agency to be surplus to the agencies' needs will be offered first to other state agencies that can substantiate a legitimate need. A notice of surplus determination will be forwarded to each state agency. Any agency having a need may submit an application requesting reallocation of the land. The State Property Office shall determine if any such application shall be approved. Any reallocation of surplus land to another agency will be made on the basis of the fair market value of the land. In the event of a dispute between the State Property Office and the agency, the final decision as to the reallocation or other disposition of the land shall be made by the Governor and Council of State.
Step 6:	Those lands determined to be surplus to state needs will be disposed of in accordance with GS 146, Article 7, and 01 NCAC 06B.0303.
Note 1:	In order to provide an incentive to state agencies to dispose of land not necessary in carrying out its mission, agencies should be allowed to retain a percentage of the net proceeds received from the sale or reallocation. This will require an amendment to G.S. 146-30
Note 2:	Certain lands should be excluded from this process. Those are: 1. Any Centennial or Millenium campus of the University system. 2. Lands owned by the State Ports Authority. 3. Lands owned by the Wanchese Seafood Industrial Authority.

Any lands not subject to the provisions of G.S. 143-341 (4) and G.S. 146.

Article 7.
Dispositions.

§ 146-27. The role of the Department of Administration in sales, leases, and rentals.

(a) General. - Every sale, lease, rental, or gift of land owned by the State or by any State agency shall be made by the Department of Administration and approved by the Governor and Council of State. A lease or rental of land owned by the State may not exceed a period of 99 years. The Department of Administration may initiate proceedings for sales, leases, rentals, and gifts of land owned by the State or by any State agency.

(b) Large Disposition. - If a proposed disposition is a sale or gift of land with an appraised value of at least twenty-five thousand dollars ($25,000), the sale or gift shall not be made until after consultation with the Joint Legislative Commission on Governmental Operations. (1957, c. 584, s. 6; G.S., s. 146-108; 1959, c. 683, s. 1; 1977, c. 425, ss. 1, 2; 1987, c. 738, s. 47(b); 1993, c. 561, s. 32(a); 1998-159, s. 5.)

§ 146-28. Agency must file application with Department; Department must investigate.

Any State agency desiring to sell, lease, or rent any land owned by the State or by any State agency shall file with the Department of Administration an application setting forth the facts relating to the proposed transaction, and shall furnish the Department with such additional information as the Department may request relating thereto. Upon receipt of such application, the Department of Administration shall promptly investigate all aspects of the proposed transaction, including particularly present and future State need for the land proposed to be conveyed, leased, or rented. (1957, c. 584, s. 6; G.S., s. 146-109; 1959, c. 683, s. 1.)

§ 146-29. Procedure for sale, lease, or rental.

If, after investigation, the Department of Administration determines that it is in the best interest of the State that land be sold, leased, or rented, the Department shall proceed with its sale, lease, or rental, as the case may be, in accordance with rules adopted by the Governor and approved by the Council of State. If an agreement of sale, lease, or rental is reached, the proposed transaction shall then be submitted to the Governor and Council of State for their approval or disapproval. Every conveyance in fee of land owned by the State or by any State agency shall be made and executed in the manner prescribed in G.S. 146-74 through 146-78. (1957, c. 584, s. 6; G.S., s. 146-110; 1959, c. 683, s. 1.)

§ 146-30. Application of net proceeds.

(a) The net proceeds of any disposition made in accordance with this Subchapter shall be handled in accordance with the following priority: First, in accordance with the provisions of any trust or other instrument of title whereby title to such real property was heretofore acquired or is hereafter acquired; second, as provided by any other act of the General Assembly; third, the net proceeds shall be deposited with the State Treasurer. Provided, however, nothing herein shall be construed as prohibiting the disposition of any State lands by exchange for other lands, but if the appraised value in fee simple of any property involved in the exchange is at least twenty-five thousand dollars ($25,000), then such exchange may not be made without consultation with the Joint Legislative Commission on Governmental Operations.

(b) For the purposes of this Subchapter, the term "net proceeds" means the gross amount received from the sale, lease, rental, or other disposition of any State lands, less

(1) Such expenses incurred incident to that sale, lease, rental, or other disposition as may be allowed under rules and regulations adopted by the Governor and approved by the Council of State; and
(2) Repealed by Session Laws 1993, c. 553, s. 52.2.
(3) A service charge to be paid into the State Land Fund.

(b1) Notwithstanding the other provisions of this section, no service charge into the State Land Fund shall be deducted from or levied against the proceeds of any disposition by lease, rental, or easement of State lands that are designated as part of the Centennial Campus as defined by G.S. 116-198.33(4), that are designated as part of the Horace Williams Campus as defined by G.S. 116-198.33(4a), or that are designated as part of a Millennial Campus as defined by G.S. 116-198.33(4b). All net proceeds of those dispositions are governed by G.S. 116-36.5.

(c) The amount or rate of such service charge shall be fixed by rules and regulations adopted by the Governor and approved by the Council of State, but as to any particular sale, lease, rental, or other disposition, it shall not exceed ten percent (10%) of the gross amount received from such sale, lease, rental, or other disposition. Notwithstanding any other provision of this Subchapter, the net proceeds derived from the sale of land or products of land owned by or under the supervision and control of the Wildlife Resources Commission, or acquired or purchased with funds of that Commission, shall be paid into the Wildlife Resources Fund. Provided, however, the net proceeds derived from the sale of land or timber from land owned by or under the supervision and control of the Department of Agriculture and Consumer Services shall be deposited with the State Treasurer in a capital improvement account to the credit of the Department of Agriculture and Consumer Services, to be used for such specific capital improvement projects or other purposes as are provided by transfer of funds from those accounts in the Capital Improvement Appropriations Act. Provided further, the net proceeds derived from the sale of park land owned by or under the supervision and control of the Department of Environment and Natural Resources shall be deposited with the State Treasurer in a capital improvement account to the credit of the Department of Administration to be used for the purpose of park land acquisition as provided by transfer of funds from those accounts in the Capital Improvement Appropriations Act. In

the Capital Improvement Appropriations Act, line items for purchase of park and agricultural lands will be established for use by the Departments of Administration and Agriculture. The use of such funds for any specific capital improvement project or land acquisition is subject to approval by the Director of the Budget. No other use may be made of funds in these line items without approval by the General Assembly except for incidental expenses related to the project or land acquisition. Additionally with the approval of the Director of the Budget, either Department may request funds from the Contingency and Emergency Fund when the necessity of prompt purchase of available land can be demonstrated and funds in the capital improvement accounts are insufficient. Provided further, the net proceeds derived from the sale of any portion of the land in or around the unincorporated area known as Butner on or after July 1, 1980, shall be deposited with the State Treasurer in a capital improvement account to the credit of the Hospital to provide water and sewers and to bring those streets in the unincorporated area known as Butner not on the State highway system up to standards adequate for acceptance on the system, according to a plan adopted by the Department of Administration, and the Office of State Budget and Management, with the approval of the Board of County Commissioners of Granville County, to build industrial access roads to industries on the Butner lands, to construct new city streets on the Butner lands, extend water and sewer service on the Butner lands, and repair storm drains on the Butner lands. (1959, c. 683, s. 1; 1975, 2nd Sess., c. 983, s. 30; 1977, c. 771, s. 4; c. 1012; 1979, c. 608, s. 1; 1981, c. 859, s. 23.4; c. 1127, s. 33; 1981 (Reg. Sess., 1982), c. 1282, s. 24; 1983, c. 717, ss. 86, 86.1, 86.2, 87; c. 761, s. 166; 1983 (Reg. Sess., 1984), c. 1034, s. 164; c. 1116, s. 97(d); 1989, c. 727, s. 218(155); c. 799, s. 26; 1993, c. 321, s. 260.1; c. 553, s. 52.2; 1997-261, s. 109; 1997-443, s. 11A.119(a); 1998-159, s. 4; 1999-234, s. 8; 2000-140, s. 93.1(a); 2000-177, s. 9; 2001-424, s. 12.2(b).)

SECTION .0300 - DISPOSITION OF REAL PROPERTY

01 NCAC 06B .0301 FUNDING AND STATE LAND FUND
01 NCAC 06B .0302 GENERAL

History Note: *Authority 143-341(4)e.,f.; 146-1; 146-27; 146-28; 146-30; 146-71; 146-73;*
Eff. February 1, 1976;
Readopted Eff. February 27, 1979;
Repealed Eff. June 1, 1986.

01 NCAC 06B .0303 BY DEED

By Deed

(1) A PO-2, "Disposition of Real Property," must be sent to the Division of State Property.

(2) An estimate of value is determined as in Section .0900 of this Subchapter. This figure, plus expenses of the sale, will be the initial asking price for the property.

(3) Sale may be by bid or by negotiation. Properties may be sold without advertisement and bidding if negotiations with prospective purchaser are deemed in best interest of the state. Property is not normally sold for less than the estimate of value plus any expense incurred. In disposals of state-owned residential facilities, residents may be allowed first refusal at the appraised value plus cost of appraisal before sale to the general public.

(4) If advertising is deemed appropriate, an advertisement is prepared and forwarded to local newspapers giving pertinent information for sale, minimum bid acceptable, and deadline for submitting bids. Usually, "For Sale" signs are posted on the property. Sale of land by bid is accomplished in accordance with 1 NCAC 6B .0304.

(5) Realtors may sell state-owned property if deemed in the best interest of the state. The fee is negotiable but usually is one-half the current rate. All offers, on behalf of the realtor's clients, are presented to the Division of State Property for consideration.

(6) An item is prepared in the Division of State Property for Council of State presentation once an offer to purchase or high bid is received. PO-4, "Report on Findings of the Department of Administration." is prepared and submitted to the State Budget Officer for approval. Each file is documented with details of the disposition.

(7) After the Council of State meeting is held, notification of Council of State action is made to each department or individual involved. With approval of the Governor and Council of State, the transactions are forwarded to the Attorney General's Office with instructions for completion. All legal transactions in connection with a disposition are handled through the Attorney General's Office and all legal documents are prepared in that office. Copy of PO-4 is signed by Secretary for Council of State and returned to Division of State Property for filing.

(8) After deed is delivered, all papers are returned from the Attorney General's Office to Division of State Property with check for the purchase price of the property. The check is sent to the controller, requesting deposit of percentage to the State Land Fund and deposit of net proceeds to the State Treasurer, unless otherwise governed by statute. A copy of the deed is forwarded to the affected agency.

(9) Land inventory data is prepared for computer record.

History Note: *Authority G.S. 143-341(4); 146-71; 146-15; 146-3 to 146-14; 146-27 to 146-30;*
Eff. February 1, 1976;
Readopted Eff. February 27, 1979;
Amended Eff. August 1, 1988.

01 NCAC 06B .0304 PROCEDURE FOR SALE OF STATE LAND

The following procedure is used when surplus state-owned property is offered for sale by bid:

(1) All state land will be advertised for sale unless waived by the Council of State. An advertisement is placed in a newspaper of general circulation, allowing 15 days for interested parties to bid. All bids must be forwarded to the Director, Division of State Property, Room 401 Administration Building, 116 West Jones Street, Raleigh, North Carolina 27611 and must be accompanied by a certified or cashier's check for no less than five percent of the bid, payable to the "State of North Carolina."

(2) After initial bids have been received, all interested parties will be notified of the high bid in order that they may have an opportunity to raise same. If not raised within 10 days, the Director of the Division of State Property will determine if the high bid should be accepted. All raises must be received within the 10 day period.

(3) The bid may be raised by an amount of not less than five percent of the circulated high bid. Such a bid, together with a certified or cashier's check of not less than five percent of the bid, should be forwarded to the Director of the Division of State Property. A raise of exactly five percent may result in duplicate bids, thus a bid in excess of five percent is safer. If the bid is raised, the matter will be held open an additional 10 days for further raises. This procedure will continue until there are no further raises.

(4) The Director of the Division of State Property reserves the right to reject any and all bids. In the case of identical bids, the director will determine which bid shall be recommended for acceptance. Any bid which is for less than the advertised minimum bid figure, not accompanied by a certified or cashier's check, or does not reach the Division of State Property by the prescribed time, will automatically be rejected.

(5) All sales of state lands are subject to the approval of the Council of State, which, at its sole discretion, may reject or accept any bids or offers.

(6) The State of North Carolina conveys land by deed without warranty or by quitclaim deed. A description of the property is available at the Division of State Property. All deeds, after approval by the Council of State, will be executed in the manner prescribed by Chapter 146 of the General Statutes of North Carolina.

(7) The State of North Carolina makes no representations or warranties concerning the title to the property, or the boundaries of the property, or the uses to which it may be put. Any prospective buyer is advised to make his own independent investigation of these matters.

(8) All properties are sold for cash upon delivery of the deed. Once a high bid has been accepted, the five percent deposit will be held as an earnest money deposit. If the bidder subsequently fails, refuses or is unable to close the transaction at time of delivery of the deed, the state may retain the earnest money deposit as liquidated damages.

History Note: *Authority G.S. 143-341(4); 146-27; 146-28; 146-29;*
Eff. February 1, 1976;
Readopted Eff. February 27, 1979.

North Carolina
Department of Administration

Michael F. Easley, Governor
Gwynn T. Swinson, Secretary

State Property Office
Joseph H. Henderson, Director

January 14, 2003

MEMORANDUM

TO: House Select Commission on Governmental Efficiency

FROM: Joseph H. Henderson

The attached report is a brief analysis of a cost to lease vs. own scenario. The report consists of three sections: General Comments, Conclusions and Recommendations.

It should be noted that the analysis is very much a mathematical exercise and the results can be greatly influenced by the underlying assumptions, particularly the value of the reversion estimated in the ownership scenario (Build Option).

The decision to lease or own should be made on a case-by-case basis where the underlying assumptions can be carefully evaluated and closely estimated. Both leasing and owning have advantages under certain circumstances. It is not always better to own, nor it is always better to lease.

JHH

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Lease vs. Own Analysis

General Comments:

The existing Parker-Lincoln lease was compared to a hypothetical state constructed building financed by bonds or Certificates of Participation (COP's) on typical terms. This analysis is shown on the attached chart.

- Parker-Lincoln is a converted industrial building whereas the state building is Class "A" or very good Class "B" office space and of higher quality. This skews the analysis somewhat in favor of the lease.
- The Build Option assumes the sale of the property at some point. State buildings are rarely sold, but conventional "lease vs. own" analyses always factor in the reversion (sale) of the property for comparison purposes. This analysis indicates it is cheaper to own than lease sometime in year 21, but this assumes a sale of the property. The exact "break even point" is dependent on the sale price (reversion) of the property which, in this analysis, is merely an estimate. Without a sale of the property, the "break even point" is likely to be pushed out to year 35 or so. But even this is dependent upon renovation costs that might be incurred during the ownership period.

Conclusions:

(1) There is no significant difference in the cost of leasing vs. owning if the owned building is eventually sold and the original investment is recaptured.
(2) For permanent state facilities (never sold), such as in the State Government Center, owning eventually proves more advantageous than leasing.
(3) For non-permanent state facilities, leasing appears to be more advantageous in the early years, at least up to year 20. For example, looking at year 20, the present value of the cost to lease is $38,459,595 and the present value of the cost to own (without selling the building) is $50,593,824. Therefore, the cost of leasing is $12,139,230 cheaper than owning.

Recommendations:

(1) Permanent facilities should be owned, whether the source of funds is appropriation or financing.
(2) Non-permanent facilities should be leased. The present value of the cash flows are less and leasing provides the flexibility to upsize, downsize or easily relocate when necessary. Leasing also provides the opportunity to seek competitive proposals and the best possible rental rate.

DISCOUNTED CASH FLOW ANALYSIS - LEASED VS. OWNED

	Lease Option			Build Option				
	Annual Rent	PV Per Year		Annual Cash Flow	PV of Cash Flows	Reversion	Loan Balance	PV Per Year
			Year 0					
Year 1	($2,511,781.00)	($2,399,026.74)	Year 1	($3,662,039.00)	($3,497,649.47)	$32,069,444.00	$31,213,542.00	($2,680,169.05)
Year 2	($2,516,417.00)	($4,694,589.91)	Year 2	($3,693,149.00)	($6,866,668.52)	$31,973,236.00	$30,211,618.00	($5,259,659.27)
Year 3	($2,563,098.00)	($6,927,777.30)	Year 3	($3,725,193.00)	($10,112,371.19)	$31,877,316.00	$29,157,593.00	($7,742,718.88)
Year 4	($2,695,461.00)	($9,170,865.37)	Year 4	($3,758,198.00)	($13,239,839.59)	$31,781,684.00	$28,048,759.00	($10,133,402.69)
Year 5	($2,710,487.00)	($11,325,203.76)	Year 5	($3,792,193.00)	($16,253,935.20)	$31,686,339.00	$26,882,266.00	($12,435,581.20)
Year 6	($2,712,123.00)	($13,384,075.49)	Year 6	($3,827,208.00)	($19,159,308.73)	$31,591,280.00	$25,655,115.00	($14,652,948.83)
Year 7	($2,862,197.00)	($15,459,336.62)	Year 7	($3,863,273.00)	($21,960,408.82)	$31,496,506.00	$24,364,152.00	($16,789,032.78)
Year 8	($2,871,840.00)	($17,448,116.81)	Year 8	($3,900,420.00)	($24,661,491.77)	$31,402,017.00	$23,006,060.00	($18,847,200.93)
Year 9	($2,891,997.00)	($19,360,952.66)	Year 9	($3,938,682.00)	($27,266,630.06)	$31,307,811.00	$21,577,346.00	($20,830,668.23)
Year 10	($2,970,757.00)	($21,237,676.25)	Year 10	($3,978,092.00)	($29,779,719.86)	$31,213,887.00	$20,074,339.00	($22,742,505.95)
Year 11	($3,068,120.00)	($23,088,899.70)	Year 11	($4,018,684.00)	($32,204,488.79)	$31,120,245.00	$18,493,176.00	($24,585,645.25)
Year 12	($3,160,164.00)	($24,910,065.31)	Year 12	($4,060,493.00)	($34,544,503.49)	$31,026,884.00	$16,829,793.00	($26,362,885.73)
Year 13	($3,254,969.00)	($26,701,660.95)	Year 13	($4,103,557.00)	($36,803,177.78)	$30,933,804.00	$15,079,913.00	($28,076,900.55)
Year 14	($3,356,618.00)	($28,466,269.48)	Year 14	($4,147,913.00)	($38,983,778.22)	$30,841,003.00	$13,239,040.00	($29,730,245.60)
Year 15	($3,452,595.00)	($30,199,855.56)	Year 15	($4,193,600.00)	($41,089,431.10)	$30,748,480.00	$11,302,441.00	($31,325,360.13)
Year 16	($3,556,173.00)	($31,905,293.71)	Year 16	($4,240,657.00)	($43,123,128.06)	$30,656,234.00	$9,265,140.00	($32,864,575.47)
Year 17	($3,662,858.00)	($33,583,040.80)	Year 17	($4,289,126.00)	($45,087,732.93)	$30,564,265.00	$7,121,898.00	($34,350,116.84)
Year 18	($3,772,743.00)	($35,233,546.21)	Year 18	($4,339,049.00)	($46,985,986.76)	$30,472,572.00	$4,867,208.00	($35,784,112.75)
Year 19	($3,885,925.00)	($36,857,252.46)	Year 19	($4,390,469.00)	($48,820,513.15)	$30,381,155.00	$2,495,274.00	($37,168,595.19)
Year 20	($4,002,502.00)	($38,454,594.51)	Year 20	($4,443,432.00)	($50,593,824.13)	$30,290,011.00	$0.00	($38,505,508.32)
Year 21	($4,122,577.00)	($40,026,000.70)	Year 21	($1,872,955.00)	($51,307,739.99)	$30,199,141.00	$0.00	($39,796,707.64)
Year 22	($4,246,254.00)	($41,571,892.07)	Year 22	($1,929,144.00)	($52,010,064.22)	$30,108,544.00	$0.00	($41,048,746.72)
Year 23	($4,373,641.00)	($43,092,682.79)	Year 23	($1,987,018.00)	($52,700,984.79)	$30,018,218.00	$0.00	($42,263,130.53)
Year 24	($4,504,850.00)	($44,588,780.56)	Year 24	($2,046,629.00)	($53,380,687.12)	$29,928,164.00	$0.00	($43,441,297.51)
Year 25	($4,639,995.00)	($46,060,586.22)	Year 25	($2,108,028.00)	($54,049,353.26)	$29,838,379.00	$0.00	($44,584,624.25)

Lease Assumptions:

(1) 172,835 square feet include 4 separate leases having different termination dates and full services.

(2) Where leases expire before Year 25, a 3% annual increase has been added and terms extended through Year 25.

Build Assumptions:

(1) 172,835 square feet, six acres of land valued at $10 per square foot.

(2) 4.7% Discount Rate.

(3) $6.00 per square foot used for utilities, janitorial, building maintenance and reserves. Annual debt service equals $2,625,029.

(4) Parking provided on site.

(5) Year 0 is design and construction period.

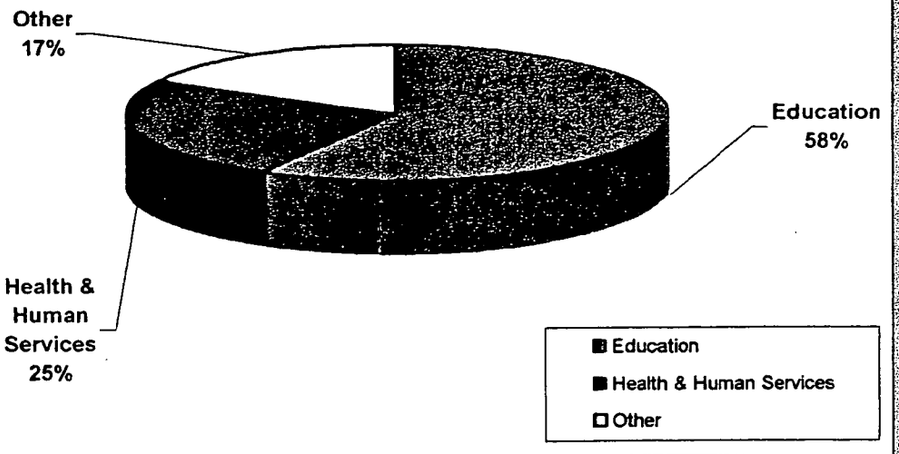
(6) Reversion refers to end of year sale of building and land.

Financing Assumptions:

(1) 100% financing of building and land costs ($32,165,942) for 20 years at 5.2% interest with level payments fully amortized at the end of year 20.

(2) Debt service computed monthly but reported on an annual basis.

North Carolina 2002-03 General Fund Budget



Where to Find Substantial Additional Budget Reductions ?

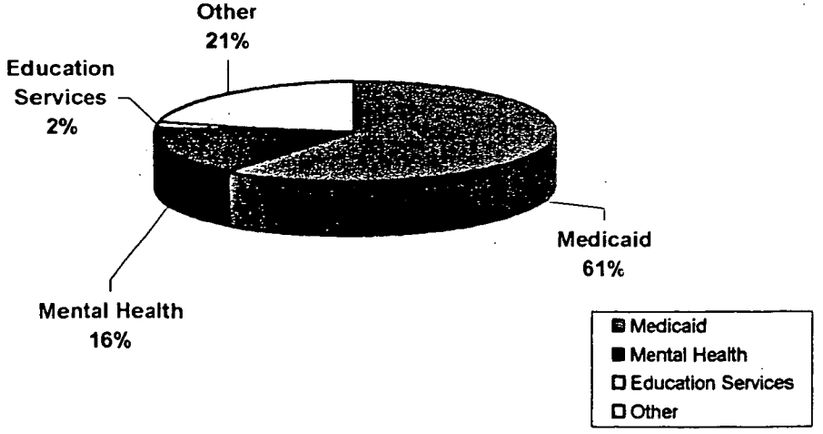
> Eighty-three percent (83%) of General Fund Appropriations provides funding for either Education (Public Schools, Community Colleges, and the University System) or Health and Human Services.

> Of the Appropriations allocated to Health and Human Services, seventy-nine percent (79%) supports Medicaid, Mental Health / Developmental Disabilities / Substance Abuse Services, and the Schools for the Blind and Deaf / Hard of Hearing. Of the amounts allocated to Mental Health, over fifty-six percent (56%) supports the operations of our mental health institutions (psychiatric hospitals, mental retardation centers, etc.).

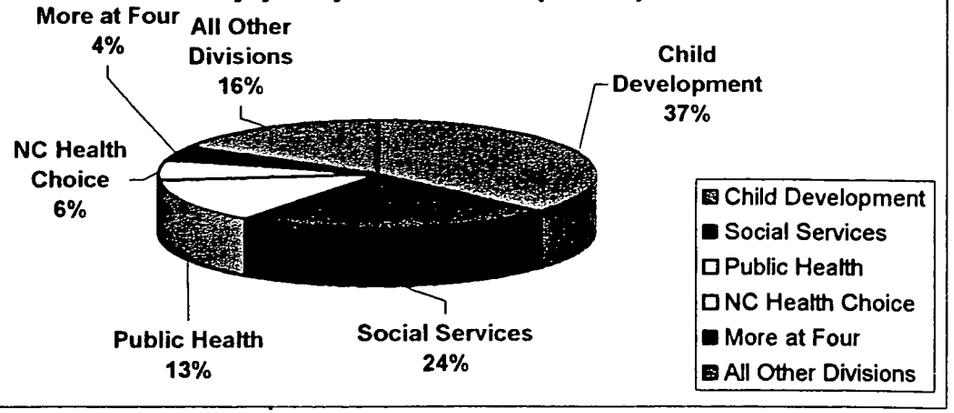
> The remaining twenty-one percent (21%) of Appropriations to Health and Human Services are allocated among the twelve (12) remaining programmatic divisions and offices including Child Development, Social Services, Public Health, Health Choice, More At Four, Aging, Facility Services, Blind Services, Services for the Deaf / Hard of Hearing, and Vocational Rehabilitation.

NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

DHHS 2002-03 State Appropriations



Analysis of "Other" DHHS Appropriations (21%)



APPENDIX 6

The North Carolina Department of Health and Human Services is currently involved in a number of initiatives to improve operational efficiency with the focus on improved service delivery while controlling costs and maximizing benefit from dollars spent. From a business and operational standpoint, it is the Department's position that "increased efficiency" and "budget reductions" are not necessarily synonymous. While increased efficiency may result in the ability to reduce budgetary needs, budget reductions will not necessarily result in increased efficiency. In fact, some past budget reductions in the Department of Health and Human Services, made without a solid understanding of Departmental functions, have resulted in reduced efficiencies, reduced effectiveness in the delivery of services, and overall increased costs. It is for this reason, the Department strongly believes that initiatives to increase operational efficiency must be based on solid business decisions made with a thorough understanding of Departmental functions, and that budgetary savings and reductions will follow appropriately.

BUDGET REDUCTION ISSUES

- One approach that has been aggressively employed to reduce state appropriation needs is the maximization of Federal dollars in the delivery of services and benefits through the Department of Health and Human Services. This approach has substantially increased available Federal dollars for social services, child care, public health, etc.. In addition, the expanded use of Medicaid to cover mental health, personal care services, etc., has resulted in Federal financial participation in efforts once funded almost totally with state dollars. To maintain this Federal participation, however, requires state dollars for the required match or maintenance of effort (MOE). State budget reductions related to these service areas run the risk of the State failing to meet required match or MOE amounts and may result in substantial reductions in available Federal dollars coming to North Carolina.

- One area Federal dollars have been increasingly utilized is to help cover personnel costs. Of the approximately 18,500 staff positions within the Department of Health and Human Services, almost 70% are located within the State's mental health facilities and the schools for the blind and deaf/hard of hearing. Of the approximate 1,000 vacant positions within the Department, almost 80% are located within the same facilities. Of the total vacant positions, almost 40% are totally Federally funded and an additional 25% are partially Federally funded. Accordingly, less than one-half of the Department's vacant positions are fully funded with state appropriations. Thus, the elimination of additional positions to achieve budgetary savings would have to be focused in areas where Federal dollars are not significant.

- It should also be remembered that the State's population grew by 20% over the past decade, and is currently the sixth fastest growing state in the nation, with the lower income population growing more rapidly than the population as a whole. As a result, the demand on the services provided through the Department continues to expand. At the same time, staffing is being reduced through budget reductions. This ultimately creates certain inefficiencies and inability to provide services in the manner the State's citizens expect and deserve.

- Currently, the State's psychiatric hospitals is undergoing an investigation by the United States Department of Justice under the Constitutional Rights of Institutionalized Persons Act (CRIPA) and the United States Supreme Court Case referred to as the "Olmstead Decision". This investigation is focusing on the condition of the State's facilities and our ability to provided necessary mental health services outside of the facilities. One issue will be our ability to properly staff the facilities. Traditionally, the State has had difficulty in competing with other hospitals, nursing care facilities, etc., in hiring and retaining qualified direct care workers. The Department has depended upon the available appropriated dollars for vacant positions to pay shift differential and overtime pay to maintain necessary staffing levels. Any further reduction in vacant positions through budget reductions further erode the Department's ability to deal with these staffing issues. Even under current circumstances, the State faces potential staffing issues in the ongoing investigation.

- In an effort to avoid impacting the delivery of services through past budget reductions, the focus of reductions have been on staffing and costs not directly related to service delivery. The result, however, has been a damaging reduction in the Department's ability to properly manage in numerous areas. One example frequently discussed is

the management of the rapidly growing Medicaid program with respect to utilization management and program integrity. Another area that has been damaged is the Department's ability to properly train and monitor counties and other agencies with respect to Federal dollars flowing through the State to these agencies. The result is a number of audits by the Office of Inspector General with over $100 million in proposed repayments to the Federal government for which the State will have the primary obligation to repay if a positive settlement is not reached. From a management standpoint, the Department believes the ability to properly train agency staff and monitor the disbursement of these Federal funds is vitally important to avoid substantial future Federal repayments. This is an example of how some budget reductions can result in current and future increased costs.

EFFORTS TO GAIN EFFICIENCIES

- The Department of Health and Human Services is aggressively moving forward with the implementation of performance management concepts in both the management of programmatic activities as well as contracted services. In the past, the normal approach to management has been the management of activities with little or no attempt to measure the effectiveness or results of those activities. With the implementation of performance management concepts, the Department and the divisions within the Department, will develop performance measurements which will be continually monitored to determine the effectiveness of the programmatic activities performed. In other words, the programmatic activities will be defined with respect to the goals or desired outcome from the programs rather than the activities performed under the programs. The success of the programs will be defined by the ability of the programs to achieve the desired goals or outcomes rather than how many activities were performed. The management philosophy will be that if the programmatic activities do not achieve the desired goals or outcomes, the activities should be modified or eliminated. Measuring the results of program or contract performance will help the Department answer the question "If this program or contract were not currently in place, would we create the same program or contract in the same way now?".

- The Department is moving to convert all contracts to include performance measures with financial incentives for performance and penalties for performance failures, moving away from contracts that reflect charges based on time and materials. Particularly in the area of information technology and personal service contracts, the Department believes that time and material contracts have provided a reverse incentive to extend the time necessary to complete a project. Under the new proposed contracting method, the contractors will be paid upon achieving certain performance goals in a specified timeframe.

- The Department is looking for any available funds, including requesting appropriations, to move forward with information technology projects which will result in efficiencies and potential budgetary savings. One such example is the implementation of a magnetic card system for Medicaid consumers. Currently, a new Medicaid card is mailed to each recipient monthly to demonstrate coverage. Once the magnetic cards are issued, monthly mailings will ultimately cease resulting in state budgetary savings of almost $1 million annually. The state funds necessary to make this conversion is one time funds of approximately $900,000. Accordingly, a one time cost of $900,000 can result in annual savings of almost $1 million. A similar benefit may be maintained by investing in the necessary technology to provide cash assistance payments, special assistance payments, foster care payments, etc., through electronic funds transfer and magnetic cards rather than mailing checks. This process is currently in place for food stamps.

- With the full support of local governments, the Department is aggressively searching for funds to move forward with technology projects which will avoid duplications of effort and more efficiently manage client cases and services within the local departments of social services. While this effort is not expected to provide substantial budgetary savings for the State, the completed project will likely provide substantial savings for local governmental agencies which are also facing significant budget challanges. While progress was underway in these initiative, budgetary reductions in the last session of the General Assembly has virtually brought this effort to a stop.

- The Department has begun some central coordination efforts in the area of training and monitoring counties and other agencies with respect to Federal revenues flowing

through the Department. This effort is focused on coordinating efforts among the various departmental divisions to avoid duplication of efforts and interruptions within the local offices. While this effort is proving helpful, the Department's ability to properly train and monitor to avoid potential Federal repayments continues to be hampered by lack of trained personnel.

- The Department of Health and Human Services is developing a listing of all programmatic activities maintained by the 15 programmatic divisions and offices within the Department. This listing will provide information to better enable the Department administration to move forward with the implementation of performance measures for these programs, as well as more readily identify duplication of efforts and set departmental priorities. In addition, the Department has developed a listing of all contractual relationships with the numerous vendors and providers, including non-profit organizations, that provide services to the Department and/or North Carolina citizens. This allows the Department to more easily compare contracts among divisions, prioritize the movement to performance based contracts, and better monitor the results of the State's investments.

- The Medicaid program reflects consistent and substantial growth, and the related budgetary requirements to cover the costs of that growth continues to be a major concern of the Department. The Department is investigating every opportunity to control utilization of services and guarantee program integrity, while making the effort to provide covered citizens with necessary and appropriate health care services in the most cost effective manner. As a part of this process, the Department has initiated such efforts as "prior authorization" for certain high cost pharmaceuticals which have lesser-priced competing alternatives. The decisions for which drugs are placed on this prior authorization list are made by a panel of health care professionals, however, and are not based solely on costs. The patient's health care must be the first priority. This is the reason the Department is focusing considerable efforts on the statewide expansion of "Community Care Partners". Previously known as the Access Program, Community Care is a partnership with health care providers, public health departments, etc., in established regional care areas, focused on better managing patient care in a cost effective manner. The goal of the initiative is the development of case management, including disease management, alternatives that improve the quality of care while doing so in the most cost effective manner. For example, this management process may result in higher pharmaceutical costs for the treatment of asthma, but substantial reduction in costs for emergency rooms and hospitalization that would otherwise result from untreated asthma. The bottom line is a reduction in total health care costs for these patients. While the program is proving effective in the pilot areas, and expansion of the initiative is continuing, state appropriations for the effort have been reduced. Accordingly, to enable the Department to move forward with a more rapid expansion of the Community Care program, the pharmaceutical industry is contributing substantial funds and partnering with the State in this effort. It is anticipated that a statewide expansion of this program will substantially improve Medicaid utilization control efforts, resulting in significant overall Medicaid cost savings, while improving access and quality of health care.

NEXT STEPS

- The Department believes strongly that any substantial additional future budget reductions, not based upon the results of operational efficiencies planted firmly in solid business decisions, must result from the complete elimination or substantial curtailment of specific programs and services currently maintained within the Department. The continued process of across the board reductions or reductions aimed at management resources will result in a further erosion of the Department's ability to efficiently and effectively manage the delivery of services and reduce the effectiveness and quality of the services provided. The implementation of performance measures for programmatic activities and contracts will better enable the Department to make decisions with respect to which programs and contracts are effective and which are not meeting established goals.

- The Department requests flexibility and support from the General Assembly with respect to the Department's efforts in the implementation of performance based management and contracting, granting us the flexibility to provide necessary financial and other incentives where appropriate to improve efficiencies and achieve budgetary savings. The Department fully expects measures of accountability in reporting to the General Assembly with respect to the benefits achieved from any incentives applied in this process.

Recommendations made to the House Committee on Government Efficiency

Wednesday December 4, 2002:

Encourage and implement a culture of performance within state government.

Rewrite the State Personnel Act by revising NCGS 126.

Centralize the state's Human Resource Development [training] programs to maximize funding and ensure accountability.

Study the feasibility of regionalizing systems for budget, human resources, purchasing, facilities management, and law enforcement across agency lines to eliminate expensive duplication of effort for field-based state operations.

Create an incentive for employees and their agencies to support the State Employees Incentive Bonus Program by eliminating the current requirement for returning 50% of savings to the General Fund.

- Budget positions in state government at a market rate rather than the minimum rate.

→Review and reform the Disability Income Program to introduce increased oversight and accountability for medical certifications for both long-term and short-term disability.

Centralize the state's Insurance Committee responsibility for approving bids for supplemental insurance products which will allow leveraging for lowered costs and increased product offerings.

Ensure portability of supplemental insurance products among all state agencies, institutions and universities.

Centralize benefits within state government.

- Exempt the Office of State Personnel from the current requirement for rule-making. It is both cumbersome and inefficient.

- Ensure equity in pay and benefits systems in each branch of government.

→Review statewide overtime costs to determine whether or not cumulative costs could be reduced by creating FTE's at lower cost. Overtime costs in state government are approximately $40 million.

- Study the feasibility of a Deferred Retirement Option Program.

- Employ an independent consultant/firm to study the state's health plan to identify more cost-effective products without limiting coverage to state employees.

  Support Workforce Planning component in the Office of State Personnel that is fully integrated with other systems administered through the Office of State Budget & Management, the Employment Security Commission, the State Demographer, the Department of Commerce, and Information Technology Services.

  Implement a competitive, market-based system for employee compensation that rewards acquisition and demonstration of job-related skills and competencies.

  Encourage statewide alternate dispute resolution and mediation for all grievances.

  Support the state government infrastructure study to consolidate all business transactions and functions [IT, HR, Payroll, Budget] into a single, integrated system.

- Determine the appropriate level of governance for the HR system. Decide what really needs to be in statute and what really needs to be administered by policy to ensure a nimble, efficient HR system.

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 1:30 P.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
PG Allsbrook	NC Justice
[illegible]	NCRA
Ruth Dial Woods	NC University Board of Governors
Pricey Harrison	Brantpot NC
Terry Hanbury	NC Pork Co.
Roger Bone	Bone and Assoc -
Rusty Lynn	NCCA
Lucius Pullen	A Hornet
Karen Gale	NBPJS
Ken Melton	Alley Associates
Angie Harris	MTE

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 1:30 P.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jenny McGuire	ITS
Tommy Suter	Wyeth
Evelyn Hawthorne	ETHER
[illegible]	[illegible]
[illegible]	[illegible]
Devon White	Professional Educators of NC
Gem Causby	NCSFSB
Alan Briggs	Save Our State
[illegible]	WCPSS
Patrice Rankin	NCACC
David Barnes	Poyner Spruill

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 1:30 P.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mitch Alford	OSBM
Ben McLawhorn	OSC
Jim Edgerton	AHHC
Betsy Bailey	NCPTA
Paula A. Wolf	Covenant w/ NC's Children
J R H	NC C of C
Richard Wagner	Carolina Journal
Yai Mai Shu	OMB
S M	SMC
Clara Gay	NCDA&CS
Roz Sawyer	NCCCC

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 1:30 P.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Newsome	OSBM
Sally Hunter	OSBM
Leslie Bewaegner	NCCBI
Mari A. Gunn	GSK
[illegible]	UNCG Doctoral Intern @ NCCCS
Camille Stell	Kennedy Covington
John Goodman	Mercer & Assoc.
Brian Lewis	Planned Parenthood Health Systems
Dan Bell	The Nature Conservancy Wilmington,
Starla McKeever	NC DHHS
J Craig-Lee	UHS

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 1:30 P.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
U) Rumford	NCDOT
Wayne Williams	State Budget Office
Pam Richardson	"
Byron Harris	"
Melton Alford	Signed previously
Anne Wiser	NCDOT
Katherine Joyce	Electric Co-ops
Chris Nichols	Hunton + Williams
Andy Watkins	SEANC
Laura Harper	SEANC
Mildred Spearman	NCDOC

VISITOR REGISTRATION SHEET

Joint Appropriations Mtg. — March 12 – 1:30 P.M.

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Doug Lassiter	NC STA
[illegible]	Duke School Forum of NC
Michelle Frazier	NC Bar Ass'n
Ed Regan	N.C. Assoc. of Co. Comm

HOUSE APPROPRIATIONS COMMITTEE

2003 SESSION

Co-Chairs
Representative Rex Baker
Representative Debbie Clary
Representative Jim Crawford
Representative Beverly Earle
Representative Robert Grady
Representative Bill Owens
Representative Wilma Sherrill
Representative Thomas Wright

COMMITTEE ASSISTANTS

Linda A. Johnson
Rosa Kelley
Anne Misenheimer
Peggy Murray
Ann Raeford
Vanda Wilson-Wormack
Linda Winstead
Shirley Winstead

RULES FOR HOUSE APPROPRIATIONS

April 14, 2003

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Money can only be transferred among items within the same subcommittee.

2. Amendments cannot increase total spending within a subcommittee report beyond what the subcommittee recommended.

3. Amendments cannot increase total spending beyond the total amount shown in the draft committee report.

4. Amendments cannot spend reversions.

5. Nonrecurring reductions cannot be used to fund recurring items.

6. Amendments that cause the budget to be unbalanced are not in order.

7. Amendments that provide expansion funding in the second year of the biennium are not allowed.

8. Amendments proposing to include material not directly related to the budget are not in order.

9. Amendments must be in writing, with 150 copies available for distribution. The Sergeant-at-Arms will distribute copies only at the direction of the chairs.

10. No documents may be distributed to members except by prior arrangement with the chairs.

11. To be considered a proposed amendment (a) must have been requested from drafting staff by 7:00 PM and (b) must have been logged in at the podium by committee staff by 8:30 PM. The Chairs will review amendments to make sure they are eligible for consideration. Eligible amendments will be heard after all of the subcommittee presentations have been made.

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE & BILL SPONSOR NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Thursday, June 19, 2003**

TIME: **10:00 a.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 1316 N. C. TRAVEL AND TOURISM INVESTMENT ACT

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **4:30 pm** on **June 18, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

STATE OF NORTH CAROLINA

NORTH CAROLINA GENERAL ASSEMBLY

RALEIGH, NORTH CAROLINA 27601

HOUSE APPROPRIATIONS COMMITTEE MEETING AGENDA

June 19, 2003
643 LOB
10:00AM

Rep. Thomas Wright, Presiding

Chairman's Comments

Bill

HB 1316 **N. C. TRAVEL AND TOURISM INVESTMENT ACT**
Representatives Earle, Miner and McComas

Adjourn

MINUTES

HOUSE COMMITTEE ON APPROPRIATIONS

THURSDAY, JUNE 19, 2003

10:00 AM ROOM 643 LOB

The House Committee on Appropriations met on Thursday, June 19, 2003 at 10:00am in Room 643 LOB. A silent roll was taken, (roll list denotes members present).

Chairman Wright called the meeting to order.

HB 1316 NC TRAVEL AND TOURISM INVESTMENT ACT

Rep. Earle explained the bill. Linda Millsaps, fiscal research staff, further explained the bill. Rep. Earle further commented on the bill. Rep. Michaux asked about the sunset date on the bill. Rep. Earle responded. Rep. Michaux followed up with a comment about the number of grants awarded in the period allowed. Rep. Wright responded. Rep. Michaux asked about the potential projects in the planning stages noted on the fiscal note. Rep. Earle responded. Rep. Michaux asked if these projects offset the $600 million or would if affect the revenues for the state. Linda Millsaps responded. Rep. Rapp asked about the designation of projects by tier status and the allocation amount to different geographic areas in the state. Rep. Earle responded that designation was not based by region or the tier system. Rep. Rapp followed up with a comment about the community block grant development funds being issued regionally by the Department of Commerce. Rep. B. Allen asked if Raleigh was on the list. Rep. Wright responded. Rep. LaRoque asked Chairman Wright if a vote would be taken on the bill. Chairman Wright responded. Rep. McAllister commented on the bill and asked if the bill coincides with local programs or authorities in the local community. Chairman Wright responded that this bill is in collaboration with other local initiatives. Rep. McAllister followed up with a question about the committee that would be formed by the bill and commented on the importance of geographic and racial diversity. Rep. McAllister also asked if the tier system be based on the Bill Lee Act. Rep. Earle responded. Rep. McAllister asked if the projects were prioritized. Rep. Earle responded. Rep. Stam commented that the Bill would possibly have to be subsidized by the taxpayer and if there was an economist attached to this bill does the economist advocates this bill's approach and thirdly, could these projects in this bill beat a 200 percent rate of return. Rep. Stam stated that he would vote against the bill. Rep. Adams commented and expressed her concern for diversity on the committee, the evaluation process of the project, the system that would be used to determine a good project, and clarity on the Guilford County Museum. Rep. Earle responded that the committee in the legislation would be responsible for the evaluation process of each project. Rep. Bowie asked if procedures for following the grant money be set up. Rep. Earle stated that there are reporting requirements in the legislation and that the committee

has to report to the Revenue Laws Study committee every year. Rep. Walend asked if the committee could be furnished with a copy of the list of the proposed projects and the approximate amounts of the incentives of each project. Rep. Earle stated that she did not have the information on the approximate amounts of each projects and stated that she would provide a copy of the list to each committee member. Rep. Barnhart asked about projects already started with local money. Rep. Earle responded. Rep. Barnhart followed up with a comment about projects that promote business without placing the burden on local governments. Jerry Hancock, of the NC Travel and Tourism Coalition, commented on the importance of this legislation for the travel and tourism industry of North Carolina. Rep. Wright recognized David Huskins to speak to the committee. Mr. David Huskins, representing the Smoky Mountain Hosts of North Carolina, gave a brief description of the organization and stressed his support of the bill that would provide an economic stimulus to the western part of the state. Rep. Michaux asked if it was possible for a project to receive the full $20 million. Rep. Earle responded.

1 Rep. Gillespie commented on the bill sent forth an amendment that amended the bill on page 3, line 27 and moved for adoption. Rep. Earle commented on the amendment. The vote was taken and the amendment was adopted.

2 Rep. Nesbitt was recognized to send forth an amendment that amended the bill on page 5, lines 30 through 37. Rep. Nesbitt explained the amendment. Rep. Earle commented on the amendment. A vote was taken and the amendment was adopted. Rep. Haire inquired about the longevity of the meeting with respect to other committee meetings scheduled. Rep. Wright responded that the meeting would continue deliberations. Rep. Walend asked if a list of the proposed projects be given to each committee member before a final vote is taken on the bill. Rep. Wright responded. Rep. Owens asked about the sunset in the bill. Rep. Earle responded. Rep. Owens commented on the importance of travel and tourism in North Carolina.

3 Rep. Gorman was recognized to send forth an amendment that amended the bill on page 3, lines 31 through 34. Rep. Gorman explained the amendment and moved for adoption. Rep. Earle responded that she opposed the amendment. Rep. Saunders asked about the fiscal impact of the amendment. Stephanie Schmitt, fiscal staff, responded. Rep. Saunders followed up and asked if it would change the fiscal impact of the bill. Stephanie Schmitt responded. Rep. Rhodes stated that he opposed the amendment. Rep. Lucy Allen asked if joint enterprises between a county and city qualify. Rep. Earle responded. Rep. Cole stated that he opposed the amendment. Rep. Harrell commented on the bill. Rep. LaRoque commented on the amendment and moved for adoption of the amendment. A vote was taken and the amendment failed. Rep. Nesbitt asked that a division be taken on every vote. Rep. Wright responded.

4 Rep. LaRoque sent forth an amendment that amended the bill on page 2, lines 24 and 25. Rep. LaRoque explained the amendment and moved for adoption. Rep. Earle commented on the amendment. Rep. Gulley asked about the list of projects. Rep. Earle responded. Chairman Wright commented on the list. Rep. Haire asked about the grant cap amount in the amendment. Rep. LaRoque responded. Rep. Haire followed up with a comment about

the grant cap. Rep. LaRoque responded. Rep. Harrell called for a division. A roll call vote was taken and the amendment was adopted, 35-33.

5 Rep. Hilton sent forth an amendment that amended the bill on page 1, line 29. Rep. Hilton explained the amendment. Rep. Earle commented on the amendment. Rep. Hilton further explained the amendment. Rep. Earle opposed the amendment. Rep. Rhodes asked the committee to oppose the amendment. Rep. Walend commented on the amendment. Rep. Earle responded. Rep. Sutton urged support of the amendment. Rep. Haire commented on the amendment. Rep. Lucy Allen commented on the amendment and stated that she opposed the amendment. Rep. Hilton urged support of the amendment and called for a roll call vote. The amendment failed, 31-34.

6 Rep. LaRoque sent forth an amendment that amended the bill on page 5, line 15. Rep. LaRoque explained the amendment. Rep. Earle opposed the amendment. Rep. Keith Williams asked about the $5000.00 fee and application fee. Rep. Earle responded. Stephanie Schmitt, fiscal staff, further explained the fees. Rep. Keith Williams followed up with a comment about the fee. Rep. Moore asked about a sliding scale fee arrangement. Rep. Earle responded. Linda Millsaps, fiscal staff, further responded. Rep. Moore commented about the fee. Linda Millsaps responded. Rep. Moore commented and urged support of the amendment. Rep. Bowie asked who is doing the work on the committee. Linda Millsaps, fiscal staff, responded. Rep. Bowie followed up with a comment. Stephanie Schmitt, fiscal staff, responded. Rep. Bowie asked if more people would have to be hired. Stephanie Schmitt responded. A vote was taken by a show of hands and the amendment passed, 31-25. Chairman Wright stated to the committee that a final vote will be taken on the bill today.

7 Rep. Barnhart sent forth an amendment that amended the bill on page 2, line 23. Rep. Barnhart explained the amendment and moved for adoption. Rep. Earle commented on the amendment. Rep. Owens spoke against the amendment. Rep. Rhodes commented on the amendment and asked the committee to oppose the amendment. Rep. Barnhart commented on the amendment and urged support. Rep. Daughtridge spoke on the fiscal note to the amendment. A vote was taken by a show of hands by Chairman Wright and the amendment failed.

8 Rep. Adams sent forth an amendment that amended the bill on page 1, line 29; page 2, line 3; page 2, line 4; page 2, line 6; page 2, line 9. Rep. Adams explained the amendment. Rep. Earle responded. Rep. Michaux commented on the amendment. Rep. Gorman commented on the amendment. A vote was taken by a show of hands by Chairman Wright and the amendment passed, 26-24.

9 Rep. Nesbitt sent forth an amendment that amended the bill on page 5, lines 11-12; page 5, line 15. Rep. Nesbitt explained the bill. Rep. Earle responded to the amendment. Rep. Harrell stated that he would support Rep. Nesbitt's amendment and pull his amendment. Rep. Owens commented on the amendment. Rep. Gorman stated that he support Rep. Nesbitt's amendment. Rep. Haire commented on the amendment. Rep. Lucy Allen commented on the amendment. Rep. Nesbitt followed up with a comment about the

amendment. Rep. Haire responded. Rep. Harrell commented on the amendment. Rep. Rhodes stated that he opposed the amendment. A vote was taken by a show of hands by Chairman Wright and the amendment passed, 30-26. Chairman Wright asked Rep. Gorman and Rep. Harrell if they were withdrawing their amendments. Rep. Gorman and Rep. Harrell responded that they withdrew their amendments.

Rep. Sutton commented on the bill. Rep. Stam asked about the appropriation clause as it relates to the constitutionality of the bill. Linda Millsaps, fiscal staff, responded. Rep. Lucy Allen commented on the bill and urged support of the bill.

Rep. Owens moved for a favorable report to the proposed committee substitute bill, unfavorable to the original bill.

Rep. Stam called for the Ayes and Nays. Chairman Wright responded. Rep. Harrell commented on the bill and urged defeat. Rep. Michaux commented on the rule for the call of the ayes and nays with 1/5th of the vote. Chairman Wright responded by asking members to stand if they were in favor of the ayes and nays being sustained. Chairman Wright noted the response. Rep. Gorman commented on the bill. Rep. Bowie commented on the bill. Chairman Wright responded.

A roll call vote was taken and passed, 55-13.

The meeting adjourned at 1:45pm.

Rep. Thomas E. Wright, Chairman

Vanda Wilson-Wormack, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 1316

Committee Substitute Favorable 6/16/03

Short Title: N.C. Travel and Tourism Investment Act. (Public)

Sponsors:

Referred to:

May 15, 2003

A BILL TO BE ENTITLED

AN ACT TO CREATE A TRAVEL AND TOURISM CAPITAL INVESTMENT PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-434.4. Travel and Tourism Capital Investment Program.**

(a) Program Established. – The Travel and Tourism Capital Investment Program is established in the Department of Commerce. Under the program, the Travel and Tourism Grant Committee established in subsection (d) of this section may award grants to the owners of qualified projects for the purpose of inducing the creation of new or the expansion or renovation of existing travel and tourism projects. Grant proceeds may not be distributed to any private individual or entity. The Committee shall develop guidelines to be used in determining whether the conditions in this section are satisfied and whether the project described in the application is consistent with the program.

(b) Owner. – For the purpose of the Travel and Tourism Capital Investment Program, the owner of a qualified project is the unit of local government that will own the qualified project in whole or in partnership with a private individual or entity. If the qualified project is located in an enterprise tier one, two, or three area, then the local government must own at least twenty-five percent (25%) of the qualified project. If the qualified project is located in an enterprise tier four or five area, then the local government must own at least fifty percent (50%) of the qualified project.

(c) Unit of Local Government Defined. – For the purpose of the Travel and Tourism Capital Investment Program, a unit of local government means a county or municipality in the State.

(d) Committee. – The Travel and Tourism Grant Committee shall consist of the Secretary of Commerce, the Secretary of Revenue, the Director of the Office of State Budget and Management, the Chair of the North Carolina Travel and Tourism Board, and three elected local government officials. One elected local government official shall

represent the Piedmont and shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. One elected local government official shall represent the Mountains and shall be appointed by the Governor. One elected local government official shall represent the Coastal Plain and shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate. The elected local government officials may not be associated with or employed by the travel and tourism industry or an entertainment enterprise or be in any contractual relationship regarding the qualified project. The appointed members shall serve two-year terms. The Committee may act only upon a majority vote of its members.

It is unlawful for a member of the Committee to provide, during or within two years after the end of service on the Committee, services for compensation, as an employee, consultant, or otherwise, to any project that was awarded a grant under this section while the former member was serving on the Committee or to provide services for compensation to any person or entity that contracts with the project. Violation of this subsection is a Class 1 misdemeanor.

Meetings of the Committee are subject to the open meetings requirements of Article 33C of Chapter 143 of the General Statutes. All documents of the Committee, including applications for grants, are public records governed by Chapter 132 of the General Statutes, including applicable provisions of the General Statutes protecting confidential information.

(e) Application and Fee. – The owner of a qualified project may apply for a grant no later than one year after the qualified project is opened to the public. When filing an application under this section, the applicant must pay the Committee a fee of five thousand dollars ($5,000). The fee is due at the time the application is filed. The Committee shall determine the allocation of the fee imposed by this subsection among the agencies whose heads are ex officio members of the Committee. The proceeds of the fee are receipts of the agency to which they are credited.

The application must contain all information required by the Committee, including a certification of the nature and cost of the tourism project, the estimated revenues to be generated by the project, the estimated economic benefit to the community, and the purposes for which the applicant will use the grant funds. If the tourism project is the result of a public-private partnership, the grant application must set forth in detail the respective rights and obligations of the parties and the specific terms of the agreement. The application must be signed by the finance officer and the chair of the governing body of the owner.

(f) Qualification. – A qualified project is a newly created travel and tourism project or expansion or renovation of a travel and tourism project that the Committee determines, pursuant to a feasibility study under this section, meets all of the following conditions:

(1) At least twenty-five percent (25%) of the project will be financed and owned by a unit of local government in which it is located if the project is located in an enterprise tier one, two, or three area. At least fifty percent (50%) of the project will be financed and owned by a unit

of local government in which it is located if the project is located in an enterprise tier four or five area.

(2) A project located in an enterprise tier one, two, or three area will target at least fifteen percent (15%) of its visitors from among persons who reside outside the State or more than 25 miles from the project. A project located in an enterprise tier four or five area will target at least thirty-five percent (35%) of its visitors from among persons who reside outside the State or more than 50 miles from the project.

(3) The project has a business plan that demonstrates a positive economic impact on the community in which the project is located.

(4) The applicant has provided impact projections regarding estimated State and local tax revenues with respect to the project.

(5) The project will have a significant and positive economic impact on the community in which the project is located, considering among other factors the extent to which the tourism project will compete directly with existing tourism attractions in the area and the amount by which tax revenues from the tourism project will exceed the amount of the grant provided.

(6) The applicant has provided a cost-benefit analysis of the project.

(7) The applicant has provided an economic impact analysis, certified by a certified public accountant, which demonstrates the employment, gross State product, and personal income effects of the project over a 10-year period.

(8) The project will be available to the public for a minimum of 100 days per year.

(9) The project will generate at least 10 new jobs in the community in which the project is located.

(10) The project will have the following minimum cost based on the enterprise tier in which it is located:

Enterprise Tier	**Minimum Cost**
1 and 2	$ 500,000
3	$ 1,000,000
4	$ 3,000,000
5	$ 4,000,000

(11) The governing body of the unit of local government has passed a resolution stating the need for the project and the positive economic impact and enhancement of travel and tourism revenues from the project.

(12) The applicant has demonstrated by clear and convincing evidence the following:

a. The project will not result in unnecessary duplication of existing services.

b. The project will generate new visitors to the area rather than drawing visitors away from other existing tourism attractions.

(13) The jobs created by the project pay a wage at least equal to the applicable wage standard provided in G.S. 105-129.4(b) based on the tier in which the project is located.

(g) Feasibility Study. – The applicant must fund a feasibility study certified by a certified public accountant and coordinated solely by the Committee. The Committee shall develop a list of qualified firms to conduct the study. The Committee shall prescribe the scope of the study to cover all of the qualifications established in this section.

(h) Amount. – Subject to the maximums provided in this section, the amount of a grant with respect to a qualified project is calculated as a percentage of the total amount of the following taxes collected and retained by the State each year:

(1) The net State sales tax collected on sales by or within the qualified project, as determined by the Department of Revenue.

(2) The net privilege tax paid by the qualified project under G.S. 105-37.1, as determined by the Department of Revenue.

(i) Maximums. – The maximum term of a grant is 10 years. No project may receive any grant proceeds for a year that is more than 10 years beyond the date of the initial grant award.

The Committee shall set the grant percentage at the time it awards the grant. The percentage used to calculate a grant may not exceed the applicable percentage provided in the table below based on the enterprise tier, as defined in G.S. 105-129.3, in which the qualified project is located. In addition, the cumulative maximum amount of a grant may not exceed the applicable percentage of the total project cost provided in the table below based on the enterprise tier in which the qualified project is located.

Enterprise Tier	**Percentage**
1 and 2	40
3 and 4	30
5	25

(j) Use. – The proceeds of a grant may be used only for capital costs, including debt service, with respect to the qualified project for which the grant was awarded.

(k) Disbursement. – In order to receive grant disbursements under this section, the owner of the qualified project must provide the Department of Revenue with periodic, verified accountings of the tax collections provided in subsection (h) of this section. These reports must be made at the times and in the form prescribed by the Department of Revenue. Each report must include the name, address, and tax identification number of every taxpayer whose collections are included in the report and any other information required by the Department of Revenue.

The Department of Revenue must disburse grants awarded under this section in accordance with G.S. 105-269.16. Upon awarding a grant under this section, the Committee must provide the following information to the Department of Revenue:

(1) The name, address, and other identifying information of the owner to whom the grant was awarded.

(2) The name and address of any lessee or individual or entity who has entered into a contract with the owner of the qualified project.

(3) The address and other identifying information of each facility that is part of the qualified project for which the grant was awarded.

(4) The applicable percentage and the maximum cumulative amount of the grant as determined in accordance with this section.

(5) Any other information included in the application, if required by the Department of Revenue.

(l) Reports. – The Committee must report annually to the Revenue Laws Study Committee concerning the applications made for grants, the grants awarded under this section, and the division and use of the fee collected by the Committee under this section.

(m) Cap. – The maximum number of projects that may be awarded grants each fiscal year is 15. No more than twenty million dollars ($20,000,000) in grants shall be awarded each fiscal year. For the purpose of this maximum, the amount awarded is calculated as the cumulative maximum amount of the grant divided by the number of years in its term."

SECTION 2. Article 9 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-269.16. Travel and tourism grants.**

The Department must annually disburse the travel and tourism grants awarded under G.S. 143B-434.4. Each annual disbursement must be made by October 1 for the preceding fiscal year. The amount of each grant must be calculated in accordance with G.S. 143B-434.4 based on information provided to the Department by the owner of the qualified project. If information necessary to calculate a portion of a grant is not available, the Department must disburse only that portion for which information is available. To pay for this program, the Department must draw from State sales and use tax collections under Article 5 of this Chapter an amount equal to the grant funds disbursed and the Department's costs of administering the grants. The Department must provide the Committee an annual accounting of grant funds disbursed under this section."

SECTION 3. G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(12) The Travel and Tourism Grant Committee in developing guidelines for the Travel and Tourism Capital Investment Program under G.S. 143B-434.4."

SECTION 4. This act becomes effective January 1, 2004, and expires for grant applications filed on or after July 1, 2006.

HOUSE BILL 1316:
Travel & Tourism Investment Act

BILL ANALYSIS

Committee: House
Date: June 19, 2003
Version: 2nd Edition

Sponsor: Rep. Earle
Analysis by: Martha H. Harris
Staff Attorney

SUMMARY: House Bill 1316 creates the Travel and Tourism Capital Investment Program. The bill becomes effective January 1, 2004, and expires for grant applications filed on or after July 1, 2006. House Bill 1316 is similar to proposals debated in the House and Senate during the 2001-2002 biennium. The House Finance Committee expanded the original bill by reducing the percentage of visitors that lower-tier projects must attract from outside the local area and by reducing the minimum size of eligible projects. The House Finance Committee also added a provision requiring projects in tiers three, four, and five to meet the applicable wage standard.

The Travel and Tourism Capital Investment Program is established to award grants to the owners of qualified projects for the purpose of inducing the creation of new or the expansion or renovation of existing travel and tourism projects.

Grant recipient - Grants may be awarded to a unit of local government that owns a qualified project in whole or in partnership with a private individual or entity. Grant proceeds may not be distributed to any private individual or entity. If the project is located in tier one, two, or three, the local government must own at least 25%. In tiers four and five, the local government must own at least 50%. A "unit of local government" is defined in the bill as a county or municipality in the State.

Travel and Tourism Grant Committee - The Travel and Tourism Grant Committee would have seven members:

- The Secretary of Commerce
- The Secretary of Revenue
- The Director of the Office of State Budget and Management
- The Chair of the NC Travel and Tourism Board
- Three elected local government officials who will serve two-year terms. One will be appointed by the Speaker of the House to represent the Mountains, one will be appointed by the President Pro Tem of the Senate to represent the Coastal Plain, and one will by appointed by the Governor to represent the Piedmont.

The Committee acts on a majority vote of its members. The Committee is subject to the open meetings law and the public records law. There are conflict of interest restrictions on the members of the Committee.

Qualified project - A qualified project is a newly created travel and tourism project or an expansion or renovation of a travel and tourism project that the Travel and Tourism Grant Committee determines, pursuant to a feasibility study funded by the applicant, meets the following conditions:

1. A minimum percentage of the project will be financed and owned by a unit of local government in which it is located. The percentage is 25% in tier one, two, or three and 50% in tier four or five.
2. If it is located in tier one, two, or three, the project will target at least 15% of its visitors from among persons who reside outside the State or more than 25 miles from the project. If it is located in tier four or five, the project will target at least 35% of its visitors from among persons who reside outside the State or more than 50 miles from the project.
3. The project has a business plan that demonstrates a positive economic impact on the community in which the project is located.
4. The applicant has provided impact projections regarding estimated State and local tax revenues with respect to the project.
5. The project will have a significant and positive economic impact on the community in which it is located, considering among other factors, the extent to which the project will compete directly with existing tourism attractions in the area and the amount by which tax revenues from the tourism project will exceed the amount of the grant provided.
6. The applicant has provided a cost-benefit analysis of the project.
7. The applicant has provided an economic impact analysis, certified by a CPA, which demonstrates the employment, gross state product, and personal income effects of the project over a 10-year period.
8. The project will be available to the public for a minimum of 100 days per year.
9. The project will generate at least 10 new jobs in the community in which the project is located.
10. The project will have the following minimum cost based on the enterprise tier in which it is located:

Enterprise Tier	**Minimum Cost**
1 and 2	$ 500,000
3	$1,000,000
4	$3,000,000
5	$4,000,000

11. The governing body of the unit of local government has passed a resolution stating the need for and positive economic impact and enhancement of travel and tourism revenues from the project.
12. The applicant has demonstrated by clear and convincing evidence both of the following
    a. The project will not result in unnecessary duplication of existing services.
    b. The project will generate new visitors to the area rather than drawing visitors away from other existing tourism attractions.

13. The jobs created by the project will pay a wage at least equal to the wage standard in tiers three, four, and five under the Bill Lee Act.

Amount of the grant - The amount of the grant is determined by multiplying the sum of the total amount of sales taxes collected on sales by or within the qualified project and the net privilege taxes paid by the qualifying project times a percentage not to exceed a maximum based on the enterprise tier in which the project will be located, as follows:

Enterprise Tier	Percentage
1 and 2	40
3 and 4	30
5	25

These same percentages are used to calculate the cumulative maximum amount of a grant determined by the applicable percentage of the total project cost.

Maximum term. – The maximum term of the grant is ten years.

Use of grant proceeds. - The proceeds of the grant may be used only for capital costs, including debt service, with respect to the qualified project.

Cap on number of projects and amount of projects awarded each year - No more than 15 projects may be awarded grants each fiscal year. No more than $20 million in grants may be awarded each fiscal year. For purpose of the $20 million maximum, the amount awarded is calculated as the cumulative maximum amount of the grant divided by the number of years in its term.

Fees. - Each applicant must pay the Committee a $5,000 application fee.

Disbursement of grants by the Department of Revenue - The Department of Revenue must annually disburse the grants by October 1 for the preceding fiscal year, based on information provided to the Department by the owner of the qualified project. In order to pay for this program, the Department will draw from State sales and use tax collections an amount equal to the grant funds disbursed and the Department's costs of administering the grants.

Exemption from rule making. – The Travel and Tourism Grant Committee is exempt from the rule-making provisions under the Administrative Procedure Act when developing guidelines for the Program.

Asheville- Minor League Baseball
Charlotte – Afro-American Cultural Center
Charlotte – Arena
Charlotte – Minor League Baseball
Charlotte – Motor Sports Museum
Charlotte – Riverwalk
Concord – Convention Center
Durham – Performing Arts Center & Tobacco Warehouse
Fayetteville – Minor League Baseball
Gastonia – Convention
Haywood County – Ghost Town
Jacksonville – Convention Center
Jacksonville – Marine Museum
Macon County – Mayberry USA
Raleigh – Civic Center
Rockingham County – Penn Plantation
Wilmington – Civic Center
Wilmington – Ampatheater
Swain County – Great Smokey Mountains Railroad
Union County – Convention Center
Washington – Water Park
Guilford – Museum
Wake – Museum
Cabarrus-

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1316 (1st Edition)

SHORT TITLE: NC Travel and Tourism Investment Act

SPONSOR(S): Representatives Earle, Miner, and McComas

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	(Millions)				
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
General Fund					
Sales Tax*	**0**	**(20)**	**(40)**	**(60)**	**(60)**
EXPENDITURES					
Travel and Tourism Grant Committee	*** See Assumptions and Methodology ***				
Dept. of Revenue	*** See Assumptions and Methodology ***				
POSITIONS:					
Department of Revenue	*** See Assumptions and Methodology ***				

* The grant application period for the bill sunsets July 1, 2006, although payments for grants authorized before that date will continue to be made up to ten years after the initial award.

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Travel and Tourism Grant Committee, NC Department of Revenue, and local governments.

EFFECTIVE DATE: January 1, 2004

BILL SUMMARY: The bill creates the Travel and Tourism Capital Incentive Grant program to be administered by the Travel and Tourism Grant Committee. The program offers grants to counties and municipalities who own "qualifying projects" that meet the following criteria: 1) the project is financed and owned (in whole or at least in 50% partnership in tiers 4 and 5, 25% ownership in the remaining tiers) by the unit of local government in which it is located, 2) the project will target 35% or more of its visitors from at least 50 miles away or out of state (25% in tiers 1–3), 3) the project has a business plan that indicates that project will be profitable, 4) the applicant provides tax impact projections, 5) the project will have a positive impact on the community, 6) the project will be open at least 100 days per year, 7) the project will generate at least ten new jobs in the local area, 8) the projects will meet a minimum cost criteria based on the North Carolina enterprise tier in which it is located, 9) the governing body of the local

government passes a resolution stating the need for, positive economic impact of, and the enhanced travel and tourism opportunities created by the project, and 10) the applicant demonstrates that the project will not duplicate services and will draw new visitors to the area. Grant funds can be used to fund new projects or the renovation and expansion of existing facilities. The grant amount is determined by multiplying the total amount of sales taxes collected by or within the qualified program and the net privilege taxes paid by the qualifying project by an enterprise tier based percentage, with maximum percentages outlined in the bill. These same percentages apply to the maximum amounts of the total project cost that can be funded through this grant program. The Travel and Tourism Grant Committee is charged with determining if all project criteria are met and the percentages used to calculate the grant amount. Grant funds can only be used for capital costs, including debt service. To receive a grant disbursement, the project owner must provide the Department of Revenue with periodic, verified accounting of the tax collections. Annual disbursements based on this information must be made by the Department of Revenue by October 1 of each year and should reflect tax collections from that project for the previous fiscal year. The Department is only required to distribute funds based on data provided by the owner. If appropriate data is not provided to justify a complete payment, a partial payment can be made to reflect the information provided. Applicants must fund a feasibility study coordinated and directed by the Travel and Tourism Grant Committee and pay a $5,000 application fee. The funds to pay for the grants and the associated departmental costs are drawn from State sales and use tax revenues. The grant application period for the bill sunsets July 1, 2006, although payments for grants authorized before that date will continue to be made up to ten years after the initial award. Only fifteen (15) grants can be awarded per year. Annual awards are limited to $20 million.

ASSUMPTIONS AND METHODOLOGY:

Impact on Revenue

The bill effectively earmarks a proportion of state tax revenue drawn from a particular qualifying project and returns that funding to the institution to fund capital costs and debt service. The proportion returned varies by location and other factors. The bill would allow funding for fifteen projects a year, with a maximum of forty-five grants awarded before the July 1, 2006 sunset. At present Fiscal Research is aware of several potential projects that have already reached the planning stages, primarily arenas, convention centers and athletic facilities, that could easily qualify for these grants, although local government officials indicate that many local units would likely be interested applying for these grants. Fiscal Research is also not aware of any other state that uses a similar funding mechanism, so no data is available from other states to suggest a fiscal cost. (Kentucky has a state sales tax incentive program for tourism development, which has funded seven (7) projects to date. However, because of substantial differences in the Kentucky plan and this bill, that state's experience cannot be used as a proxy for estimating purposes). Because there is no good data on the type, size and location of qualifying projects or potentially qualifying projects, the fiscal note assumes the committee awards the maximum annual amount of $20 million. Because the bill allows three grant cycle before the sunset, the maximum annual impact is reached in 2060-07 of $60 million ($20 million from each year of awards). Because all economic activity, in total, is considered in determining the state's baseline revenue projections, all grants awarded under this program would be shown as a loss of state revenue. However, none of that loss would appear in FY 2003-04, as the first payment would not be made for any project until October 2005.

Impact on Expenditures

Travel and Tourism Grant Committee: The bill charges the Travel and Tourism Grant Committee (the Committee) with carrying out the following activities in order to administer the grant program:

1. Adopt rules for the administration of the program.

2. Coordinate and direct feasibility studies funded by the applicants. This coordination function includes selection by the Department of qualified, independent consultants and prescription of the scope of each study.

3. Analyze applications to ensure they contain all necessary information regarding the nature and cost of the proposed tourism project, the estimated revenues to be generated by the project, the estimated economic benefit to the community, and the purposes for which the applicant will use grant funds.

Each of these activities will involve a cost to the Committee. The bill allows the Committee, itself, to determine how the fee revenue and associated responsibilities will be distributed. Since the bill does not specify the financial structure of the Committee, how the Committee will operate, or how the Committee will utilize the $5,000 fee per application, it is not possible to estimate the fiscal impact on the Committee.

Department of Revenue: According to the Department of Revenue, the anticipated responsibilities from the enactment of the bill will not justify any positions being assigned to handle the work and, therefore, no employee costs will be incurred. There will only be very minimal costs for printing and mailings of forms and possibly some other minor administrative costs. The Department's assumption is that there will be a relatively small number of projects that will qualify, at least initially. Therefore, on the basis of this assumption, taxes eligible for grants will not be generated until a project is completed and business performed in the project. The first fiscal year for which grants could be issued would most likely be FY 2004-05. This should provide the department with ample time to get procedures in place.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Linda Struyk Millsaps, Stephanie Schmitt, and Michele Nelson



APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: June 10, 2003

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1316 (HCS)

SHORT TITLE: NC Travel and Tourism Investment Act

SPONSOR(S): Representatives Earle, Miner, and McComas

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

(Millions)

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
General Fund					
Sales Tax*	**0**	**(20)**	**(40)**	**(60)**	**(60)**
EXPENDITURES					
Travel and Tourism Grant Committee	*** See Assumptions and Methodology ***				
Dept. of Revenue	*** See Assumptions and Methodology ***				
POSITIONS:					
Department of Revenue	*** See Assumptions and Methodology ***				

* The grant application period for the bill sunsets July 1, 2006, although payments for grants authorized before that date will continue to be made up to ten years after the initial award.

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EFFECTIVE DATE: January 1, 2004

BILL SUMMARY: The bill creates the Travel and Tourism Capital Incentive Grant program to be administered by the Travel and Tourism Grant Committee. The program offers grants to counties and municipalities who own "qualifying projects" that meet the following criteria: 1) the project is financed and owned (in whole or at least in 50% partnership in tiers 4 and 5, 25% ownership in the remaining tiers) by the unit of local government in which it is located, 2) the project will target 35% or more of its visitors from at least 50 miles away or out of state (15% in tiers 1 – 3), 3) the project has a business plan that indicates that project will be profitable, 4) the applicant provides tax impact projections, 5) the project will have a positive impact on the community, 6) the project will be open at least 100 days per year, 7) the project will generate at least ten new jobs in the local area, and that the project met the wage standards set out for the Bill Lee and JDIG economic development incentive programs, 8) the projects will

meet a minimum cost criteria based on the North Carolina enterprise tier in which it is located, 9) the governing body of the local government passes a resolution stating the need for, positive economic impact of, and the enhanced travel and tourism opportunities created by the project, and 10) the applicant demonstrates that the project will not duplicate services and will draw new visitors to the area. Grant funds can be used to fund new projects or the renovation and expansion of existing facilities. The grant amount is determined by multiplying the total amount of sales taxes collected by or within the qualified program and the net privilege taxes paid by the qualifying project by an enterprise tier based percentage, with maximum percentages outlined in the bill. These same percentages apply to the maximum amounts of the total project cost that can be funded through this grant program. The Travel and Tourism Grant Committee is charged with determining if all project criteria are met and the percentages used to calculate the grant amount. Grant funds can only be used for capital costs, including debt service. To receive a grant disbursement, the project owner must provide the Department of Revenue with periodic, verified accounting of the tax collections. Annual disbursements based on this information must be made by the Department of Revenue by October 1 of each year and should reflect tax collections from that project for the previous fiscal year. The Department is only required to distribute funds based on data provided by the owner. If appropriate data is not provided to justify a complete payment, a partial payment can be made to reflect the information provided. Applicants must fund a feasibility study coordinated and directed by the Travel and Tourism Grant Committee and pay a $5,000 application fee. The funds to pay for the grants and the associated departmental costs are drawn from State sales and use tax revenues. The grant application period for the bill sunsets July 1, 2006, although payments for grants authorized before that date will continue to be made up to ten years after the initial award. Only fifteen (15) grants can be awarded per year. Annual awards are limited to $20 million.

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Impact on Revenue

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3. Analyze applications to ensure they contain all necessary information regarding the nature and cost of the proposed tourism project, the estimated revenues to be generated by the project, the estimated economic benefit to the community, and the purposes for which the applicant will use grant funds.

Each of these activities will involve a cost to the Committee. The bill allows the Committee, itself, to determine how the fee revenue and associated responsibilities will be distributed. Since the bill does not specify the financial structure of the Committee, how the Committee will operate, or how the Committee will utilize the $5,000 fee per application, it is not possible to estimate the fiscal impact on the Committee.

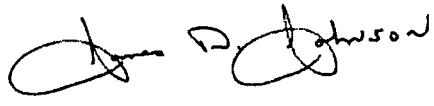
Department of Revenue: According to the Department of Revenue, the anticipated responsibilities from the enactment of the bill will not justify any positions being assigned to handle the work and, therefore, no employee costs will be incurred. There will only be very minimal costs for printing and mailings of forms and possibly some other minor administrative costs. The Department's assumption is that there will be a relatively small number of projects that will qualify, at least initially. Therefore, on the basis of this assumption, taxes eligible for grants will not be generated until a project is completed and business performed in the project. The first fiscal year for which grants could be issued would most likely be FY 2004-05. This should provide the department with ample time to get procedures in place.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Linda Struyk Millsaps, Stephanie Schmitt, and Michele Nelson



APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: June 12, 2003

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 1316

Committee Substitute Favorable 6/16/03

PROPOSED COMMITTEE SUBSTITUTE H1316-PCS30389-LC-83

Short Title: N.C. Travel and Tourism Investment Act. (Public)

Sponsors:

Referred to:

May 15, 2003

A BILL TO BE ENTITLED

AN ACT TO CREATE A TRAVEL AND TOURISM CAPITAL INVESTMENT PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. Part 2 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-434.4. Travel and Tourism Capital Investment Program.**

(a) Program Established. – The Travel and Tourism Capital Investment Program is established in the Department of Commerce. Under the program, the Travel and Tourism Grant Committee established in subsection (d) of this section may award grants to the owners of qualified projects for the purpose of inducing the creation of new or the expansion or renovation of existing travel and tourism projects. Grant proceeds may not be distributed to any private individual or entity. The Committee shall develop guidelines to be used in determining whether the conditions in this section are satisfied and whether the project described in the application is consistent with the program.

(b) Owner. – For the purpose of the Travel and Tourism Capital Investment Program, the owner of a qualified project is the unit of local government that will own the qualified project in whole or in partnership with a private individual or entity. If the qualified project is located in an enterprise tier one, two, or three area, then the local government must own at least twenty-five percent (25%) of the qualified project. If the qualified project is located in an enterprise tier four or five area, then the local government must own at least fifty percent (50%) of the qualified project.

(c) Unit of Local Government Defined. – For the purpose of the Travel and Tourism Capital Investment Program, a unit of local government means a county or municipality in the State.

(d) Committee. – The Travel and Tourism Grant Committee shall consist of the Secretary of Commerce, the Secretary of Revenue, the Director of the Office of State

Budget and Management, the Chair of the North Carolina Travel and Tourism Board, the Executive Director of the North Carolina Institute for Minority Economic Development; three elected local government officials; and three public members. One elected local government official and one public member shall represent the Piedmont and shall be appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives. One elected local government official and one public member shall represent the Mountains and shall be appointed by the Governor. One elected local government official and one public member shall represent the Coastal Plain and shall be appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate. Neither the public members nor the elected local government officials may be associated with or employed by the travel and tourism industry or an entertainment enterprise or be in any contractual relationship regarding the qualified project. The appointed members shall serve two-year terms. The appointing authorities shall make appointments to the Committee that reflect the State's ethnic diversity. The Committee may act only upon a majority vote of its members.

It is unlawful for a member of the Committee to provide, during or within two years after the end of service on the Committee, services for compensation, as an employee, consultant, or otherwise, to any project that was awarded a grant under this section while the former member was serving on the Committee or to provide services for compensation to any person or entity that contracts with the project. Violation of this subsection is a Class 1 misdemeanor.

Meetings of the Committee are subject to the open meetings requirements of Article 33C of Chapter 143 of the General Statutes. All documents of the Committee, including applications for grants, are public records governed by Chapter 132 of the General Statutes, including applicable provisions of the General Statutes protecting confidential information.

(e) Application and Fee. – The owner of a qualified project may apply for a grant no later than one year after the qualified project is opened to the public. When filing an application under this section, the applicant must pay the Committee a fee of one thousand dollars ($1,000). The fee is due at the time the application is filed. The Committee shall determine the allocation of the fee imposed by this subsection among the agencies whose heads are ex officio members of the Committee. The proceeds of the fee are receipts of the agency to which they are credited.

The application must contain all information required by the Committee, including a certification of the nature and cost of the tourism project, the estimated revenues to be generated by the project, the estimated economic benefit to the community, and the purposes for which the applicant will use the grant funds. If the tourism project is the result of a public-private partnership, the grant application must set forth in detail the respective rights and obligations of the parties and the specific terms of the agreement. The application must be signed by the finance officer and the chair of the governing body of the owner.

(f) Qualification. – A qualified project is a newly created travel and tourism project or expansion or renovation of a travel and tourism project that the Committee

determines, pursuant to a feasibility study under this section, meets all of the following conditions:

(1) At least twenty-five percent (25%) of the project will be financed and owned by a unit of local government in which it is located if the project is located in an enterprise tier one, two, or three area. At least fifty percent (50%) of the project will be financed and owned by a unit of local government in which it is located if the project is located in an enterprise tier four or five area.

(2) A project located in an enterprise tier one, two, or three area will target at least fifteen percent (15%) of its visitors from among persons who reside outside the State or more than 25 miles from the project. A project located in an enterprise tier four or five area will target at least thirty-five percent (35%) of its visitors from among persons who reside outside the State or more than 50 miles from the project.

(3) The project has a business plan that demonstrates a positive economic impact on the community in which the project is located.

(4) The applicant has provided impact projections regarding estimated State and local tax revenues with respect to the project.

(5) The project will have a significant and positive economic impact on the community in which the project is located, considering among other factors the extent to which the tourism project will compete directly with existing tourism attractions in the area and the amount by which tax revenues from the tourism project will exceed the amount of the grant provided.

(6) The applicant has provided a cost-benefit analysis of the project.

(7) The applicant has provided an economic impact analysis, certified by a certified public accountant, which demonstrates the employment, gross State product, and personal income effects of the project over a 10-year period.

(8) The project will be available to the public for a minimum of 100 days per year.

(9) The project will generate at least 10 new jobs in the community in which the project is located. At least three of the new jobs will be full-time positions if the project is located in an enterprise tier one, two, or three area. At least seven of the new jobs will be full-time positions if the project is located in an enterprise tier four area. At least 10 of the new jobs will be full-time positions if the project is located in an enterprise tier five area.

(10) The project will have the following minimum cost based on the enterprise tier in which it is located:

Enterprise Tier	Minimum Cost
1 and 2	$ 500,000
3	$ 1,000,000
4	$ 3,000,000

5	$ 4,000,000

(11) The governing body of the unit of local government has passed a resolution stating the need for the project and the positive economic impact and enhancement of travel and tourism revenues from the project.

(12) The applicant has demonstrated by clear and convincing evidence the following:

a. The project will not result in unnecessary duplication of existing services.

b. The project will generate new visitors to the area rather than drawing visitors away from other existing tourism attractions.

(13) The jobs created by the project pay a wage at least equal to the applicable wage standard provided in G.S. 105-129.4(b) based on the tier in which the project is located.

(g) Feasibility Study. – The applicant must fund a feasibility study certified by a certified public accountant and coordinated solely by the Committee. The Committee shall develop a list of qualified firms to conduct the study. The Committee shall prescribe the scope of the study to cover all of the qualifications established in this section.

(h) Amount. – Subject to the maximums provided in this section, the amount of a grant with respect to a qualified project is calculated as a percentage of the total amount of the following taxes collected and retained by the State each year:

(1) The net State sales tax collected on sales by or within the qualified project, as determined by the Department of Revenue.

(2) The net privilege tax paid by the qualified project under G.S. 105-37.1, as determined by the Department of Revenue.

(i) Maximums. – The maximum term of a grant is 10 years. No project may receive any grant proceeds for a year that is more than 10 years beyond the date of the initial grant award.

The Committee shall set the grant percentage at the time it awards the grant. The percentage used to calculate a grant may not exceed the applicable percentage provided in the table below based on the enterprise tier, as defined in G.S. 105-129.3, in which the qualified project is located. In addition, the cumulative maximum amount of a grant may not exceed the applicable percentage of the total project cost provided in the table below based on the enterprise tier in which the qualified project is located.

Enterprise Tier	**Percentage**
1 and 2	40
3 and 4	30
5	25

(j) Use. – The proceeds of a grant may be used only for capital costs, including debt service, with respect to the qualified project for which the grant was awarded.

(k) Disbursement. – In order to receive grant disbursements under this section, the owner of the qualified project must provide the Department of Revenue with periodic, verified accountings of the tax collections provided in subsection (h) of this

section. These reports must be made at the times and in the form prescribed by the Department of Revenue. Each report must include the name, address, and tax identification number of every taxpayer whose collections are included in the report and any other information required by the Department of Revenue.

The Department of Revenue must disburse grants awarded under this section in accordance with G.S. 105-269.16. Upon awarding a grant under this section, the Committee must provide the following information to the Department of Revenue:

(1) The name, address, and other identifying information of the owner to whom the grant was awarded.

(2) The name and address of any lessee or individual or entity who has entered into a contract with the owner of the qualified project.

(3) The address and other identifying information of each facility that is part of the qualified project for which the grant was awarded.

(4) The applicable percentage and the maximum cumulative amount of the grant as determined in accordance with this section.

(5) Any other information included in the application, if required by the Department of Revenue.

(l) Reports. – The Committee must report annually to the Revenue Laws Study Committee concerning the applications made for grants, the grants awarded under this section, and the division and use of the fee collected by the Committee under this section.

(m) Cap. – No more than twenty million dollars ($20,000,000) in grants shall be awarded each fiscal year. For the purpose of this maximum, the amount awarded is calculated as the cumulative maximum amount of the grant divided by the number of years in its term. Each grant shall be capped at an amount not to exceed two million dollars ($2,000,000) over the lifetime of the project. Within this cap, one-thirteenth of the funds shall be allocated each year to each Congressional district. If there are insufficient qualified projects from a Congressional district in any fiscal year, the amount allocated to that district shall be reallocated among the remaining districts for that year."

SECTION 2. Article 9 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-269.16. Travel and tourism grants.**

The Department must annually disburse the travel and tourism grants awarded under G.S. 143B-434.4. Each annual disbursement must be made by October 1 for the preceding fiscal year. The amount of each grant must be calculated in accordance with G.S. 143B-434.4 based on information provided to the Department by the owner of the qualified project. If information necessary to calculate a portion of a grant is not available, the Department must disburse only that portion for which information is available. To pay for this program, the Department must draw from State sales and use tax collections under Article 5 of this Chapter an amount equal to the grant funds disbursed and the Department's costs of administering the grants. The Department must provide the Committee an annual accounting of grant funds disbursed under this section."

SECTION 3. This act becomes effective January 1, 2004, and expires for grant applications filed on or after July 1, 2006.

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representative **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
H.B. 1316 A BILL TO BE ENTITLED AN ACT TO CREATE A TRAVEL AND TOURISM CAPITAL INVESTMENT PROGRAM.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the committee substitute bill (# 2), unfavorable as to the Committee Substitute Bill # 1.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

Fav. Rpt w/Amend.

HB1316

Comm. Sub. No. 2

ROLL CALL VOTE

DATE 6/19

55 YES 13 NO = _____(TOTAL)

HB# _____
SB# _____

HOUSE STANDING COMMITTEE ON APPROPRIATIONS

YES	NO	MEMBER (last name)
	✓	Baker, Chair
		Clary, Chair
	✓	Crawford, Chair
✓		Earle, Chair
		Grady, Chair
✓		Owens, Chair
✓		Sherrill, Chair
✓		Wright, Chair
✓		Adams
✓		Allen, B
		Allen, L
	✓	Allred
✓		Barbee
	✓	Barnhart
✓		Bell
		Blust
✓		Bonner
✓		Bowie
✓		Church
✓		Coates
✓		Cole
✓		Culp
✓		Daughtridge
		Daughtry
✓		Dickson
✓		Dockham
✓		England
✓		Farmer-Butterfield
✓		Fox
✓		Frye
✓		Gillespie
✓		Goforth
✓		Goodwin
✓		Gorman
✓		Gulley
✓		Hackney
	✓	Haire
✓		Hall
	✓	Harrell
✓		Hilton
		Holmes
✓		Hunter
		Insko
✓		Jeffus
✓		Johnson, C
		Johnson, L
✓		Justice, C.H.
		Justus
	✓	Kiser
✓		LaRoque

✓		Lucas
✓		McAllister
		McComas
	✓	McHenry
✓		McLawhorn
		McMahan
✓		Michaux
		Miller
		Mitchell
✓		Moore
	✓	Nesbitt
		Nye
✓		Parmon
✓		Pate
✓		Preston
✓		Rapp
		Ray
✓		Rhodes
		Sauls
✓		Saunders
		Sexton
	✓	Stam
✓		Stiller
	✓	Sutton
✓		Tolson
	✓	Walend

✓		Walker
	✓	Warner
✓		Warren
✓		West
✓		Williams, A.
✓		Williams, K.
✓		Wilson
✓		Yongue
		EX OFFICIOS
		THEN CHAIRS

Ex officio Members

		Brubaker
		Cunningham
		Culpepper
		Eddins

Chapter 1

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1316

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H1316-ALC-30 [v.1]

Date 06-19-03 ,2003

Comm. Sub. [YES]
Amends Title [NO]
Second Edition

Representative Gillespie

moves to amend the bill on page 3, line 27,
by adding the following at the end of the line:
"At least three of the new jobs will be fulltime positions if the project is located in an enterprise tier one, two, or three area. At least seven of the new jobs will be fulltime positions if the project is located in an enterprise tier four area. At least ten of the new jobs will be fulltime positions if the project is located in an enterprise tier five area."

SIGNED Gillespie
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

Adopted

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 1316

AMENDMENT NO. 2
(to be filled in by
Principal Clerk)

H1316-ASC-12 [v.1]

Date 06-19 ,2003

Comm. Sub. [NO]
Amends Title [NO]
Second Edition

Representative Nesbitt

moves to amend the bill on page 5, lines 30 through 37, by deleting those lines and renumbering the following section accordingly.

SIGNED Martha Nesbitt
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE 6/19/03

S. B. No. _____ Amendment No. 3
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

(Rep.) Gorman
Sen.)

moves to amend the bill on page ~~2~~ 3, lines 31-34

( ) WHICH CHANGES THE TITLE

by rewriting those lines to read

" 1 and 2 $ 250,000
3 $ 500,000
4 $ 1,500,000
5 $ 2,000,000 ".

SIGNED _____

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE 6/19/03

S. B. No. _____ Amendment No. 4 (to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

(Rep.) LaRoque
Sen.)

1 moves to amend the bill on page 2, lines 24 & 25

2 ( ) WHICH CHANGES THE TITLE

3 by deleting the phrase "five thousand dollars ($5,000)."

4

5 and substituting the phrase

6 "~~one hundred dollars ($100.00)~~".

7 "one thousand dollars ($1,000.00)."

8

9

10

11

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SIGNED _____

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

ROLL CALL VOTE

DATE 6/19/03

La Roque

35 YES 33 NO = 68 (TOTAL)

HB# 1316
SB# ____

HOUSE STANDING COMMITTEE ON APPROPRIATIONS

YES	NO	MEMBER (last name)
✓		Baker, Chair
		Clary, Chair
✓		Crawford, Chair
✓		Earle, Chair
		Grady, Chair
	✓	Owens, Chair
	✓	Sherrill, Chair
	✓	Wright, Chair
✓		Adams
	✓	Allen, B
	✓	Allen, L
		Allred
	✓	Barbee
✓		Barnhart
	✓	Bell
		Blust
	✓	Bonner
	✓	Bowie
	✓	Church
	✓	Coates
	✓	Cole
✓	✓	Culp
✓		Daughtridge
		Daughtry
	✓	Dickson
	✓	Dockham
	✓	England
	✓	Farmer-Butterfield
✓	✓	Fox
✓		Frye
✓		Gillespie
	✓	Goforth
	✓	Goodwin
✓		Gorman
	✓	Gulley
		Hackney
	✓	Haire
✓	✓	Hall
✓		Harrell
✓		Hilton
		Holmes
✓		Hunter
✓		Insko
	✓	Jeffus
	✓	Johnson, C
✓		Johnson, L
✓		Justice, C.H.
✓		Justus
✓		Kiser
✓		LaRoque

		Lucas
		McAllister
✓		McComas
✓		McHenry
✓		McLawhorn
		McMahan
		Michaux
		Miller
✓		Mitchell
✓		Moore
✓		Nesbitt
	✓	Nye
✓	✓	Parmon
✓		Pate
✓		Preston
✓		Rapp
✓		Ray
	✓	Rhodes
✓		Sauls
	✓	Saunders
		Sexton
✓		Stam
✓		Stiller
✓		Sutton
✓		Tolson
✓		Walend

✓		Walker
✓		Warner
✓		Warren
	✓	West
✓		Williams, A.
✓		Williams, K.
	✓	Wilson
	✓	Yongue
		EX OFFICIOS
		THEN CHAIRS

Ex officio Members

		Brubaker
		Cunningham
		Culpepper
		Eddins

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE

S. B. No. Amendment No. 5 (to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE ✓

Rep.) Hilton
)
Sen.)

moves to amend the bill on page 1, line 29

( ) WHICH CHANGES THE TITLE

by rewriting the line to read

"and six elected local government officials. Two elected local government officials shall";

On page 2, line 2 by deleting "One" and substituting "TWO";

On page 2, line 3 by deleting "official" and substituting "officials";

On page 2, line 4, by rewriting the line to read

"Governor. Two elected local government officials shall represent the Coastal Plain and".

SIGNED Mark Hilton

ADOPTED ✓ FAILED TABLED

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

ROLL CALL VOTE

DATE 6-19

32 YES 36 NO = _____(TOTAL) Heater #5

HB# 1316
SB# _____

HOUSE STANDING COMMITTEE ON APPROPRIATIONS

YES	NO	MEMBER (last name)	YES	NO	MEMBER (last name)
✓		Baker, Chair		✓	Dickson
		Clary, Chair		✓	Dockham
	✓	Crawford, Chair		✓	England
	✓	Earle, Chair		✓	Farmer-Butterfield
		Grady, Chair		✓	Fox
✓		Owens, Chair	✓		Frye
		Sherrill, Chair	✓		Gillespie
	✓	Wright, Chair	✓		Goforth
					Goodwin
			✓		Gorman
		Adams		✓	Gulley
	✓	Allen, B			Hackney
	✓	Allen, L		✓	Haire
		Allred		✓	Hall
	✓	Barbee	✓		Harrell
✓		Barnhart	✓		Hilton
	✓	Bell			Holmes
		Blust			Hunter
	✓	Bonner			Insko
	✓	Bowie		✓	Jeffus
	✓	Church		✓	Johnson, C
	✓	Coates			Johnson, L
	✓	Cole	✓		Justice, C.H.
✓		Culp			Justus
	✓	Daughtridge	✓		Kiser
		Daughtry	✓		LaRoque

	✓	Lucas
		McAllister
	✓	McComas
✓		McHenry
	✓	McLawhorn
		McMahan
		Michaux
		Miller
		Mitchell
✓		Moore
✓		Nesbitt
	✓	Nye
	✓	Parmon
✓		Pate
✓		Preston
	✓	Rapp
✓		Ray
	✓	Rhodes
✓		Sauls
	✓	Saunders
✓		Sexton
✓		Stam
✓		Stiller
✓		Sutton
	✓	Tolson
✓		Walend

✓		Walker
✓		Warner
	✓	Warren
✓		West
✓		Williams, A.
✓		Williams, K.
✓		Wilson
	✓	Yongue
		EX OFFICIOS
		THEN CHAIRS

Ex officio Members

		Brubaker
		Cunningham
		Culpepper
		Eddins

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE 6-19-03

S. B. No. Amendment No. 6
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE

(Rep.) LaRoque
Sen.)

moves to amend the bill on page 5, line 15

( ) WHICH CHANGES THE TITLE

by rewriting the line to read:

"years in its term. Each grant shall be capped at an amount not to exceed two million dollars ($2,000,000) over the lifetime of the project."; and

on page 5, lines 11 and 12, by rewriting the lines to read:

"(m) Cap. - No more than twenty million dollars ($20,000,000) in grants shall be".

SIGNED

ADOPTED ✓ FAILED TABLED

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

failed

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE

S. B. No. Amendment No. 7
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE

Rep.) Barnhart
Sen.)

moves to amend the bill on page 2, line 23

( ) WHICH CHANGES THE TITLE

by deleting "one year" and substituting "two years".

SIGNED Jeff Barnhart

ADOPTED ✓ FAILED TABLED

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE 6/19/03

S. B. No. _____ Amendment No. 8
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.) Adams
Sen.)

moves to amend the bill on page 1, line 29

( ) WHICH CHANGES THE TITLE

by rewriting the line to read

"the Executive Director of the North Carolina Institute for Minority Economic Development; three elected local government officials; and three public members. One elected local government official and one public member shall";

and further moves to amend the bill on page 2, line 3 by inserting the phrase "and one public member" after the word "official";

and further moves to amend the bill on page 2, line 4 by inserting the phrase "and one public member" after the word "official."

and further moves to amend the bill on

SIGNED _____

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. 2

H. B. No. 1316 DATE

S. B. No. Amendment No. (to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE

(Rep.) Adams
Sen.)

moves to amend the bill on page , line

( ) WHICH CHANGES THE TITLE

by

page 2, line 6 by rewriting the clause after the period to read:

"Neither the public members nor the elected government officials may be"

and further moves to amend the bill on pg 2, line 9, by inserting the following sentence immediately after the period

"The appointing officers shall make appointments to the Committee that reflect the State's ~~racial~~ ethnic diversity."

SIGNED Alma Adams

ADOPTED ✓ FAILED TABLED

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 1316 DATE 6/19/03

S. B. No. _____ Amendment No. 9
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

(Rep.) Nesbitt
Sen.)

moves to amend the bill on page 5, lines 11-12

( ) WHICH CHANGES THE TITLE

by deleting the sentence that begins with the word "The";

and on page 5, line 15, by adding the following before the quotation mark:

"Within this cap, one-~~third~~ Thirteenth of the funds shall be allocated each year to each Congressional district. If ~~that~~ there are insufficient qualified projects from a Congressional district in any fiscal year, the amount allocated to that district shall be reallocated among the remaining districts for that year."

SIGNED Martin Nesbitt

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

Asheville- Minor League Baseball
Charlotte – Afro-American Cultural Center
Charlotte – Arena
Charlotte – Minor League Baseball
Charlotte – Motor Sports Museum
Charlotte – Riverwalk
Concord – Convention Center
Durham – Performing Arts Center & Tobacco Warehouse
Fayetteville – Minor League Baseball
Gastonia – Convention
Haywood County – Ghost Town
Jacksonville – Convention Center
Jacksonville – Marine Museum
Macon County – Mayberry USA
Raleigh – Civic Center
Rockingham County – Penn Plantation
Wilmington – Civic Center
Wilmington – Ampatheater
Swain County – Great Smokey Mountains Railroad
Union County – Convention Center
Washington – Water Park
Guilford – Museum
Wake – Museum
Cabarrus-

VISITOR REGISTRATION SHEET

Appropriations — 6/19/03

Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Jonathan Jones	Carolina Journal
MJENATIAN	HTA
DAVID HUSKINS	N.C. IT BOARD
FOYLE HIGHTOWER	
Ann Ansley	
Camille Steel	KCLH
Barbara Hoet	NCRTL - GSO
Greg Rafford	NC DOR
Andy Sobol	NC DOR
Paul Zimmerman	NCLEG
CAMERON WILLS	DPI
Pam Deardorff	Retirement
Ann McArthur	Governor's Ofc.
Leanne Winner	NCSBA
Katherine Joyce	NCASA
Julie Allen	NC Statewatch
MR. JOHN RUSTIN	NC Family Policy Council
KEN MELTON	Alley Associates
John McHugh	Gov Office
[illegible]	Capitol Group
[illegible]	NCRA
JIM McCONNICK	City of Raleigh
Jonathan Huskins	N.C. IT Board
Joanne Stevens	Nursing + NCCMSN
[illegible] Hanson	WCPSS
Julie Woodson	NCCBI
Carole Lawler	NCTC

VISITOR REGISTRATION SHEET

Appropriations — 6/19/03
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
[illegible]	NCICU
[illegible]	NCICU
[illegible]	O'Hagan Associates et al
[illegible]	NCMHDI
RESTON HOWARD	MCIC
[illegible]	NCTTC
Paula A. Stolf	Covenant W/ NC's Children
Jessica [illegible]	" "
[illegible]	ADC
Rick Zechini	NC Assoc. of REALTORS
[illegible]	NCFPC
Stephanie Simpson	NC Assoc. of REALTORS
Steve Peterson	Hearing Mr. Bennett
Michelle Frazier	NC Bar Ass'n
[illegible]	SBE
Roz Savitt	NC CCC
BILL HALE	JORDAN PRICE LAW FIRM
Erica Peterson	NC Agribusiness Council
Andy Ellen	NCRMA

Linda Winstead (Rep. Jim Crawford)

From: Rosa Kelley (Rep. Sherrill)
Sent: Tuesday, July 08, 2003 12:37 PM
To: @House/Appropriations
Subject: Appropriations Committee Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Wednesday, July 9, 2003**

TIME: **10:00 a.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 1170 ENHANCE LOCAL RETIREMENT BENEFITS
SB 226 UNAUTHORIZED ADMIN. OF MEDS BY CHILD CARE FAC.
HB 932 EST. REG'L INTERAGENCY COORDINATING COUNCIL
HB 806 REBATE AND GRANT PROGRAM FOR AFVs.

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **2:00** on **July 8, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
RALEIGH, NORTH CAROLINA 27601

HOUSE APPROPRIATIONS COMMITTEE MEETING
AGENDA
July 9, 2003 10:00 A.M.
643 LOB

Representative Rex L. Baker, Presiding

Chairman's Comments

Bills

HB 1170 ENHANCE LOCAL RETIREMENT BENEFITS
Rep. Bell

SB 226 UNAUTHORIZED ADMIN. OF MEDS BY CHILD CARE FAC.
Senator Purcell

HB 932 EST. REG'L INTERAGENCY COORDINATING COUNCIL
Reps. Alexander, Warren

HB 806 REBATE AND GRANT PROGRAM FOR AFVS.
Rep. Tolson

Adjourn

Minutes
Appropriations Committee

July 9, 2003

The Full House Appropriations Committee met on Wednesday, July 9, 2003 in room 643 of the Legislative Office Building at 10:00 A.M. with 65 members present. Chair, Representative Rex L. Baker presided. A visitor registration list is attached and made part of these minutes.

The Chairman called the meeting to order and welcomed the pages.

The first business of order was a Committee Substitute for House Bill 1170, ENHANCE LOCAL RETIREMENT BENEFITS, sponsored by Representative Bell. After hearing from staff, and agreeing with their presentation, the committee unanimously gave the bill a favorable report.

The second business of order was a House Committee Substitute for Senate Bill 226, AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OF UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN. Senator Purcell, who sponsored the bill explained the bill and after several issues were addressed, Chairman Baker appointed a subcommittee to study the bill and an amendment to the bill by Representative Haire. Those appointed to the committee were Representatives Grady, Chair, Sutton, Gorman, Justice, and Goodwin.

The committee saw no need to hear the Committee Substitute for House Bill 932, AN ACT ESTABLISHING REGIONAL INTERAGENCY COORDINATING COUNCILS UNDER THE LAWS RELATING TO EARLY INTERVENTION SERVICES FOR CHILDREN FROM BIRTH TO FIVE YEARS OF AGE WITH DISABILITY, since the monies had been taken out of the bill. A motion was made by Representative Owens for the committee to adopt the Committee Substitute. The committee voted for a favorable report for the Committee Substitute and unfavorable to the Original Bill.

House Bill 806 AN ACT TO ESTABLISH AN ALTERNATIVE FUEL AND VEHICLE REBATE AND INFRASTRUCTURE GRANT PROGRAM, sponsored by Representative Tolson was not heard but sent to a subcommittee chaired by

Representative Cole. The committee consists of Representatives Tolson, Gillespie, Daughtridge, Kiser, and Keith Williams.

There being no further business, Chairman Baker adjourned the meeting at 11:10 A.M.

Respectfully submitted,

Representative
Chairman (Presiding Chair)

Committee Assistant

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill and Wright** (Chairs) for the Committee on **APPROPRIATIONS.**

☒ Committee Substitute for
H.B. 1170 A BILL TO BE ENTITLED AN ACT TO ENHANCE THE BENEFITS OF MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

SESSION LAW 2003-319
HOUSE BILL 1170

AN ACT TO ENHANCE THE BENEFITS OF MEMBERS OF THE LOCAL GOVERNMENTAL EMPLOYEES RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 128-27(b20) reads as rewritten:

"(b20) Service Retirement Allowance of Member Retiring on or After July 1, ~~2002.~~ 2002, but Before July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2002, but before July 1, 2003, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b20)(1)a. reduced by one-third of one percent (1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday;

2. The service retirement allowance as computed under G.S. 128-27(b20)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-two hundredths percent (1.82%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b20)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b20)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or
2. The service retirement allowance as computed under G.S. 128-27(b20)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or
3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b20)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 2. G.S. 128-27 is amended by adding a new subsection to read:

"(b21) Service Retirement Allowance of Member Retiring on or After July 1, 2003. – Upon retirement from service in accordance with subsection (a) or (a1) above, on or after July 1, 2003, a member shall receive the following service retirement allowance:

(1) A member who is a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 55th birthday and completion of five years of creditable service as a law enforcement officer, or after the completion of 30 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of his average final compensation, multiplied by the number of years of his creditable service.

b. If the member's service retirement date occurs on or after his 50th birthday and before his 55th birthday with 15 or more years of creditable service as a law enforcement officer and prior to the completion of 30 years of creditable service, his retirement allowance shall be equal to the greater of:

1. The service retirement allowance payable under G.S. 128-27(b21)(1)a. reduced by one-third of one percent

(1/3 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 55th birthday;

2. The service retirement allowance as computed under G.S. 128-27(b21)(1)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement.

(2) A member who is not a law enforcement officer or an eligible former law enforcement officer shall receive a service retirement allowance computed as follows:

a. If the member's service retirement date occurs on or after his 65th birthday upon the completion of five years of creditable service or after the completion of 30 years of creditable service or on or after his 60th birthday upon the completion of 25 years of creditable service, the allowance shall be equal to one and eighty-five hundredths percent (1.85%) of average final compensation, multiplied by the number of years of creditable service.

b. If the member's service retirement date occurs after his 60th birthday and before his 65th birthday and prior to his completion of 25 years or more of creditable service, his retirement allowance shall be computed as in G.S. 128-27(b21)(2)a. but shall be reduced by one-quarter of one percent (1/4 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following his 65th birthday.

c. If the member's early service retirement date occurs on or after his 50th birthday and before his 60th birthday and after completion of 20 years of creditable service but prior to the completion of 30 years of creditable service, his early service retirement allowance shall be equal to the greater of:

1. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. but reduced by the sum of five-twelfths of one percent (5/12 of 1%) thereof for each month by which his retirement date precedes the first day of the month coincident with or next following the month the member would have attained his 60th birthday, plus one-quarter of one percent (1/4 of 1%) thereof for each month by which his 60th birthday precedes the first day of the month coincident with or next following his 65th birthday; or

2. The service retirement allowance as computed under G.S. 128-27(b21)(2)a. reduced by five percent (5%) times the difference between 30 years and his creditable service at retirement; or

3. If the member's creditable service commenced prior to July 1, 1995, the service retirement allowance equal to the actuarial equivalent of the allowance payable at the age of 60 years as computed in G.S. 128-27(b21)(2)b.

d. Notwithstanding the foregoing provisions, any member whose creditable service commenced prior to July 1, 1965, shall not receive less than the benefit provided by G.S. 128-27(b)."

SECTION 3. G.S. 128-27(m) reads as rewritten:

"(m) Survivor's Alternate Benefit. – Upon the death of a member in service, the principal beneficiary designated to receive a return of accumulated contributions shall have the right to elect to receive in lieu thereof the reduced retirement allowance provided by Option two of subsection (g) above computed by assuming that the member had retired on the first day of the month following the date of his death, provided that all three of the following conditions apply:

(1) a. The member had attained such age and/or creditable service to be eligible to commence retirement with an early or service retirement allowance, or

b. The member had obtained 20 years of creditable service in which case the retirement allowance shall be computed in accordance with ~~G.S. 128-27(b20)(1)b. or G.S. 128-27(b20)(2)c.,~~ G.S. 128-27(b21)(1)b. or G.S. 128-27(b21)(2)c., notwithstanding the requirement of obtaining age 50.

(2) The member had designated as the principal beneficiary to receive a return of his accumulated contributions one and only one person who is living at the time of his death.

(3) The member had not instructed the Board of Trustees in writing that he did not wish the provisions of this subsection apply.

For the purpose of this benefit, a member is considered to be in service at the date of his death if his death occurs within 180 days from the last day of his actual service. The last day of actual service shall be determined as provided in subsection (l) of this section. Upon the death of a member in service, the surviving spouse may make all purchases for creditable service as provided for under this Chapter for which the member had made application in writing prior to the date of death, provided that the date of death occurred prior to or within 60 days after notification of the cost to make the purchase."

SECTION 4. G.S. 128-27 is amended by adding the following new subsections to read:

"(ddd) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by two percent (2.0%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of two percent (2.0%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003.

"(eee) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before June 1, 1982, shall be increased by six percent (6.0%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or after July 1, 1982, but before July 1, 1993, shall be increased by one and one-tenth percent (1.1%) of the allowance payable on June 1, 2003, in accordance with subsection (k) of this section. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on any other increase payable under subsection (k) of this section or otherwise granted by act of the 2003 Regular Session of the 2003 General Assembly.

"(fff) Increase in Allowance as to Persons on Retirement Rolls as of June 1, 2003. – From and after July 1, 2003, the retirement allowance to or on account of beneficiaries on the retirement rolls as of June 1, 2003, shall be increased by one and one-half percent (1.5%) of the allowance payable on June 1, 2003. This allowance shall be calculated on the allowance payable and in effect on June 30, 2003, so as not to be compounded on

any other increase payable under subsection (k) of this section or otherwise granted by act of the 2003 General Assembly."

SECTION 5. This act becomes effective July 1, 2003.

In the General Assembly read three times and ratified this the 15th day of July, 2003.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ Michael F. Easley
Governor

Approved 4:59 p.m. this 15th day of July, 2003

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ ~~Committee~~ House Substitute for
SB 226 A BILL TO BE ENTITLED AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

Original

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 5

SENATE BILL 226

Health and Human Resources Committee Substitute Adopted 3/5/03
Judiciary II Committee Substitute Adopted 4/8/03
Fourth Edition Engrossed 4/10/03
House Committee Substitute Favorable 6/17/03

Short Title: Unauthorized Admin. Meds. by Child Care Fac. (Public)

Sponsors:

Referred to:

February 26, 2003

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known as "Kaitlyn's Law".

SECTION 2. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"**§ 110-102.1A. Unauthorized administration of medication.**

(a) It is unlawful for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility as defined in G.S. 110-86, to willfully administer, without written authorization, prescription or over-the-counter medication to a child attending the child care facility. For the purposes of this section, written authorization shall include the child's name, date or dates for which the authorization is applicable, dosage instructions, and signature of the child's parent or guardian.

(b) In the event of an emergency medical condition and the child's parent or guardian is unavailable, it shall not be unlawful to administer medication to a child attending the child care facility without written authorization as required under subsection (a) of this section if the medication is administered with the authorization and in accordance with instructions from a bona fide medical care provider. For purposes of this subsection, the following definitions apply:

(1) A bona fide medical care provider means an individual who is licensed, certified, or otherwise authorized to prescribe the medication.

(2) An emergency medical condition means circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed.

(c) A violation of this section that results in serious injury to the child shall be punished as a Class F felony.

(d) Any other violation of this section shall be punished as a Class H felony."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

favorable to Comm. Substitute ~ unfavorable to the Original

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S D

SENATE BILL 226

Health and Human Resources Committee Substitute Adopted 3/5/03
Judiciary II Committee Substitute Adopted 4/8/03
Fourth Edition Engrossed 4/10/03
House Committee Substitute Favorable 6/17/03
PROPOSED HOUSE COMMITTEE SUBSTITUTE S226-CSRQ-44 [v.4]

7/15/2003 2:16:20 PM

Short Title: Unauthorized Admin. Meds. by Child Care Fac. (Public)

Sponsors:

Referred to:

February 26, 2003

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known as "Kaitlyn's Law".

SECTION 2. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"**§ 110-102.1A. Unauthorized administration of medication.**

(a) It is unlawful for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility as defined in G.S. 110-86, including child care facilities operated by public schools and nonpublic schools as defined in G.S. 110-86(2)(f), to willfully administer without written authorization, prescription or over-the-counter medication to a child attending the child care facility. For the purposes of this section, written authorization shall include the child's name, date or dates for which the authorization is applicable, dosage instructions, and signature of the child's parent or guardian. For the purposes of this section, a child care facility operated by a public school does not include kindergarten through twelfth grade classes.

(b) In the event of an emergency medical condition and the child's parent or guardian is unavailable, it shall not be unlawful to administer medication to a child attending the child care facility without written authorization as required under subsection (a) of this section if the medication is administered with the authorization

and in accordance with instructions from a bona fide medical care provider. For purposes of this subsection, the following definitions apply:

(1) A bona fide medical care provider means an individual who is licensed, certified, or otherwise authorized to prescribe the medication.

(2) An emergency medical condition means circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed.

(c) A violation of this section that results in serious injury to the child shall be punished as a Class F felony.

(d) Any other violation of this section where medication is administered willfully shall be punished as a Class H felony."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

Change to Class A felony - Michaux

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: **July 15, 2003**

TO: House Appropriations Committee

FROM: Douglas R. Holbrook
Fiscal Research Division

RE: SB 226

FISCAL IMPACT

Yes (x) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
EXPENDITURES	Unable to determine exact amount.				
POSITIONS:					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch.

EFFECTIVE DATE: December 1, 2003

BILL SUMMARY: SB 226 amends Chapter 110 of the General Statutes by adding a new section making it a Class H felony for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility, including child care facilities operated by public schools but not including kindergarten through twelfth-grade classes, to

intentionally administer any type of prescription or over-the-counter medication to a child attending the child care facility without first obtaining prior written authorization from the child's parent or guardian, except when the unauthorized administration of medicines results in a serous injury to the child which is punishable by a Class F felony. Written authorization is defined to include the child's name, date, dosage instructions, and signature of the child's parent or guardian.

In addition, the bill provides an exception for emergency medical conditions when the child's parent or guardian is unavailable. It is not unlawful to administer medication to a child for emergency medical conditions without written authorization from his or her parent if the medication is administered with the authorization and in accordance with instructions from a "bona fide medical provider". Emergency medical condition is defined as circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed. A "bona fide medical provider" is defined to include any person who is licensed, certified, or otherwise authorized to prescribe medicine.

ASSUMPTIONS AND METHODOLOGY:

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because SB 226 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced for this proposed offense. If there were three Class H felony convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and two additional prison beds the second year. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Furthermore, because it is not known how many of these offenses would result in serious injury, it is no t known how many offenders might be sentenced for violations of a Class F felony. If, for example, there were three convictions of the Class F subsection under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year. In 2000-2001, the average estimated time served for an offender convicted of a Class F felony was a minimum of 18 months and a maximum of 22 months.

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Because SB 226 provides for two new felony offenses, AOC is unable to estimate the number of new felony charges. Because the Division of Child Development does not have data on how often medications are administered without prior authorization1 nor is able to estimate the number of serious injuries that may result, AOC is unable to estimate the number of charges that could arise from the amended statute. For Class H felony offenses that are brought to trial, the estimated court cost per trial is $4,986. For Class H felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $248. For Class F felony offenses that are brought to trial, the estimate court cost per trial is $6,629. For Class F Felony offenses that are not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $320.

SOURCES OF DATA: NC Sentencing Commission and Administrative Office of the Courts.

TECHNICAL CONSIDERATIONS: None.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: SB 226 5th Edition (**Corrected Version**)

SHORT TITLE: Unauthorized Admin. Meds. By Child Care Fac.

SPONSOR(S): Senator Purcell

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring		**Unable to determine exact amount.**			
Nonrecurring					
Judicial					
Recurring		**Unable to determine exact amount.**			
Nonrecurring					
TOTAL EXPENDITURES:		**Unable to determine exact amount.**			
ADDITIONAL PRISON BEDS*		**Unable to determine exact number of beds.**			
POSITIONS: (cumulative)		**Unable to determine exact amount.**			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: SB 226 amends Chapter 110 of the General Statutes by adding a new section making it a Class H felony for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility to willfully administer any type of prescription or over-the-counter medication to a child attending the child care facility without first obtaining prior written authorization from the child's parent or guardian, except when the unauthorized administration of medicines results in a serous injury to the child which is punishable by a Class F felony. Written authorization is defined to include the child's name, date, dosage instructions, and signature of the child's parent or guardian.

In addition, the bill provides an exception for emergency medical conditions when the child's parent or guardian is unavailable. It is not unlawful to administer medication to a child for emergency medical conditions without written authorization from his or her parent if the medication is administered with the authorization and in accordance with instructions from a "bona fide medical provider". Emergency medical condition is defined as circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed. A "bona fide medical provider" is defined to include any person who is licensed, certified, or otherwise authorized to prescribe medicine.

ASSUMPTIONS AND METHODOLOGY:

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because SB 226 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced for this proposed offense. If there were three Class H felony convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and two additional prison beds the second year. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Furthermore, because it is not known how many of these offenses would result in serious injury, it is not known how many offenders might be sentenced for violations of a Class F felony. If, for example, there were three convictions of the Class F subsection under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year. In 2000-2001, the average estimated time served for an offender convicted of a Class F felony was a minimum of 18 months and a maximum of 22 months.

Judicial Branch

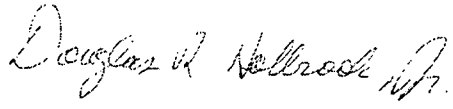
For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Because SB 226 provides for two new felony offenses, AOC is unable to estimate the number of new felony charges. Because the Division of Child Development does not have data on how often medications are administered without prior authorization[1] nor is able to estimate the number of serious injuries that may result, AOC is unable to estimate the number of charges that could arise from the amended statute. For Class H felony offenses that are brought to trial, the estimated court cost per trial is $4,986. For Class H felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $248. For Class F felony offenses that are brought to trial, the estimate court cost per trial is $6,629. For Class F Felony offenses that are not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $320.

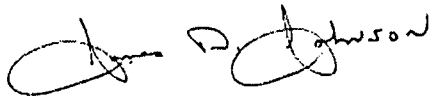
SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Douglas R. Holbrook



APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: June 9, 2003

1 Administrative Office of the Courts Research and Planning Division.

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

1 passed

EDITION No. _____

H. B. No. _____ DATE 7/17/03

S. B. No. 226 Amendment No. _____
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

(Rep.) Michaux
Sen.)

1 moves to amend the bill on page 2, line 11

2 ( ) WHICH CHANGES THE TITLE

3 by deleting the phrase "Class H felony"

4 and substituting the phrase "Class

5 A1 misdemeanor".

6

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SIGNED _____

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☐ Committee Substitute for
H.B. 932 A BILL TO BE ENTITLED AN ACT ESTABLISHING REGIONAL INTERAGENCY COORDINATING COUNCILS UNDER THE LAWS RELATING TO EARLY INTERVENTION SERVICES FOR CHILDREN FROM BIRTH TO FIVE YEARS OF AGE WITH DISABILITIES.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the committee substitute bill ~~(#), ☐ which changes the title~~, unfavorable as to ~~(~~the original bill~~) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)~~

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

HOUSE BILL 932
RATIFIED BILL

AN ACT ESTABLISHING REGIONAL INTERAGENCY COORDINATING COUNCILS UNDER THE LAWS RELATING TO EARLY INTERVENTION SERVICES FOR CHILDREN FROM BIRTH TO FIVE YEARS OF AGE WITH DISABILITIES.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-179.5A. Regional Interagency Coordinating Councils for Children from Birth to Five with Disabilities and Their Families; establishment; composition; organization; duties; compensation; reporting.**

(a) There are established 18 Regional Interagency Coordinating Councils for Children from Birth to Five with Disabilities and Their Families, corresponding with the catchment areas for the Children's Developmental Services Agency of the Division of Public Health, Department of Health and Human Services.

(b) Each Regional Interagency Coordinating Council shall have no more than 30 members, appointed by the NC Interagency Coordinating Council (NC-ICC) and the Division of Public Health. Members of each Regional Council shall serve staggered terms. On or before January 1, 2004, the NC-ICC and the Division of Public Health shall designate no more than 15 appointees to serve for two-year terms on each Regional Council and no more than 15 appointees to serve for one-year terms on each Regional Council. Upon the expiration of the terms of the initial Regional Council members, each member shall be appointed for a term of two years and shall serve until a successor is appointed. The NC-ICC and the Division of Public Health shall have the power to remove any member of a Regional Council from office. Any appointment to fill a vacancy on a Regional Council created by the resignation, dismissal, death, or disability of a member shall be for the remainder of the unexpired term. Members may succeed themselves for one term and may be appointed again after being off a Regional Council for one term. All members shall abide by the state interagency agreement of the NC Interagency Coordinating Council.

(c) The composition of Regional Councils shall be as follows:

(1) At least twenty percent (20%) parents or families of young children ages birth to five with disabilities for each region.
(2) One Local Interagency Coordinating Council (LICC) representative for each county in a region.
(3) The Children's Developmental Services Agency Director.
(4) One Regional Family Support Network representative for each region.
(5) One Local Management Entity representative for each region practicing in the area of mental health.
(6) One health department representative for each region.
(7) One executive director of a local Partnership for Children for each region.
(8) One local Department of Social Services representative for each region.

(9) One representative who is a member of the medical community for each region. Members appointed pursuant to this subdivision may include a pediatrician, or a health care provider, as defined in G.S. 58-50-61(8), at a local hospital, including a neonatal intensive care unit (NICU).
(10) One Head Start/Early Head Start representative for each region.
(11) One representative from the Office of Education Services Governor Morehead Early Intervention/Preschool Program for each region.
(12) One representative from the Office of Education Services Deaf/Hard of Hearing Early Intervention/Preschool Program for each region.
(13) One representative of the Regional TEACCH program.
(14) One representative of the Military Early Intervention program, if a military base is present in the region.
(15) Other public or private providers as recommended by LICCs within the region and as approved by the NC-ICC and the Division of Public Health.

(d) After a Regional Council has appointed its members, the Regional Council shall, at its first meeting, elect a parent and a professional as cochairs to establish any standing or ad hoc committees or task forces necessary to carry out the functions of the Regional Council. The Regional Council shall meet at least quarterly. A majority of the Regional Council will constitute a quorum for the transaction of business.

(e) Each Regional Council shall be responsible for developing an early intervention plan, in collaboration with the Children's Developmental Services Agency, for all eligible children ages birth to three years and their families in its designated area. The Regional Council shall specifically address in its early intervention plan, as indicated in the 'Individuals with Disabilities Education Act' (IDEA), P.L. 105-17, those efforts designated as local responsibilities, including the following:

(1) Implementing Child Find through public awareness activities.
(2) Ensuring the availability of early intervention required services through the assessment of service delivery capacity, the identification of needs, and the development or revision of plans to address gaps or inadequacies.
(3) Implementing policies for interagency professional development.
(4) Establishing methods for compliance monitoring and qualitative evaluation of services.
(5) Developing a plan of coordination and integration with other early childhood special education and related human service planning, such as that carried out by Mental Health Local Management Entities (LMEs), Smart Start, and Local Education Agencies (LEAs).

(f) Each Regional Interagency Coordinating Council shall prepare and submit an annual report to the NC-ICC and all regional early intervention agencies in its area. The annual report shall address the status of the early intervention system for eligible infants and toddlers in its respective region. Additionally, each Regional Council shall report quarterly to the NC-ICC on the development and implementation status of its regional early intervention plan. The Early Intervention Branch of the Division of Public Health shall make significant efforts to identify appropriate sources of non-State funds to support each Regional Council with staff and administrative support."

SECTION 2. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 19th day of July, 2003.

BEVERLY E. PERDUE

Beverly E. Perdue
President of the Senate

JAMES B. BLACK

James B. Black
Speaker of the House of Representatives

Michael F. Easley
Governor

Approved _____.m. this _____ day of _____, 2003

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
H.B. 806 A BILL TO BE ENTITLED AN ACT TO ESTABLISH AN ALTERNATIVE FUEL AND VEHICLE REBATE AND INFRASTRUCTURE GRANT PROGRAM.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H

2

HOUSE BILL 806

Committee Substitute Favorable 6/30/03

Short Title: Rebate and Grant Program for AFVs. (Public)

Sponsors:

Referred to:

March 31, 2003

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH AN ALTERNATIVE FUEL AND VEHICLE REBATE AND INFRASTRUCTURE GRANT PROGRAM.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 113B of the General Statutes is amended by adding a new Article to read:

"Article 3.

"Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program.

"**§ 113B-30. Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program established.**

(a) There is created an alternative fuel and vehicle rebate and infrastructure grant program to be administered by the State Energy Office.

(b) The program shall provide for all of the following:

(1) Partial rebates to first owners for incremental cost differences for eligible alternative fueled and hybrid vehicles.

(2) Limited rebates for State taxes paid on the incremental costs of alternative motor fuels.

(3) Grants for alternative motor fuel infrastructure projects.

(c) The program shall include a cap on the number and amounts of rebates and grants to limit them to the available funds. There shall be no entitlement to any rebate or grant under the program.

"**§ 113B-31. Implementation and administration.**

(a) The State Energy Office shall adopt rules implementing the program established in G.S. 113B-30.

(b) These rules shall be adopted after consultation with other State agencies, including the Departments of Transportation, Correction, Public Instruction, Revenue, and Environment and Natural Resources, and interested organizations and businesses.

(c) These rules shall comply with environmental and energy regulations issued by the United States Department of Energy and the Environmental Protection Agency.

(d) The rules shall provide that State and local government entities are not eligible for rebates or grants under the Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program.

"**§ 113B-32. Funding.**

(a) The program established pursuant to G.S. 113B-30 shall be funded by an increase in motor vehicle registration fees as provided in G.S. 20-87(b) and G.S. 20-88(i2).

(b) The funds collected by the Division of Motor Vehicles shall be transferred quarterly to a special account in the Department of Administration for the State Energy Office to administer the program and provide the rebates and grants.

(c) The State Energy Office and the Division of Motor Vehicles may use up to five percent (5%) of the funds collected under this section for the administration of the program.

(d) The State Energy Office may use up to ten percent (10%) of the funds collected under this section for education and awareness about the applications and advantages of alternative fuels and vehicles.

"**§ 113B-33. Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program Fund established.**

The Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program Fund is created as a nonreverting account within the Department of Administration. All fees collected pursuant to this Article shall be credited to the Fund. The Fund shall be used for the purposes set out in this Article.

"**§ 113B-34. Reports.**

(a) The Division of Motor Vehicles shall provide to the State Energy Office quarterly reports of all registered motor vehicles identified by fuel type.

(b) The State Energy Office shall provide an annual report to the Joint Legislative Transportation Oversight Committee on the expenditure of funds associated with the program established by G.S. 113B-30 and the number of alternative fuel vehicles registered in North Carolina."

SECTION 2. G.S. 20-87 reads as rewritten:

"**§ 20-87. Passenger vehicle registration fees.**

(a) ~~These~~ There shall be paid to the Division annually, as of the first day of January, for the registration and licensing of passenger vehicles, fees according to the following classifications and schedules:

...

(b) Upon initial registration or renewal, an additional one-dollar ($1.00) fee shall be paid to the Division in addition to the fees authorized by subsection (a) of this section to fund the Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program established in G.S. 113B-30."

SECTION 3. G.S. 20-88 is amended by adding a new subsection to read:

"(i2) Upon initial registration or renewal, an additional one-dollar ($1.00) fee shall be paid to the Division in addition to all other fees authorized by this section to fund the Alternative Fuel and Vehicle Rebate and Infrastructure Grant Program established in G.S. 113B-30."

SECTION 4. This act is effective when it becomes law. The State Energy Office shall adopt the rules to implement the program established by this act on or before January 1, 2004. This act shall expire on January 1, 2007.

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Patricia Rascoe	NCACC
Gene Causby	NCSFSA
V L McBride	NCAJJ
	
Barbara Carsley	NFSS
Tim Minton	NC Home Builders
F. Harden	Entergy
A York	DVHS
Rick Zechini	NC Assoc. of REALTORS
Angie Harris	Margaret Taylor
Ron Aycock	County Comm. Assn

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sharon Matthews	DOT - DMV
Mark Benson	Capitol Group
Lisa Page	Conservation Council
John Cyrus	NC State Troopers
Hal Miller	NCACCT
Tom Bean	NC Enviro Defense
Joanne Stevens	Nursing + NCCASA
Gary Harris	NC Petroleum Mkts. Assoc.
Davy Howey	NC Petroleum Mkts. Assoc.
PSP	NCHP
Cam Crew	BPOU

my friends

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Curtis	NCPIRG
Steve Wall	Conservation Council
Tobin Freid	TJCOG
George Millsaps	DOA
Sam Lee Jr	Grain Growers Coop. Inc.
Betsy Bailey	NC Public Transportation Assn.
Bill Carstarphen	CATS
Phil Ball	DCD-DHHS
June Locklear	DCD-DHHS
Frank Lewis	OSBM
Tony Spence	DOT/DMV

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joanne Scharer	Treasurer's Office- Retirement System
Ben Lane	Treasurer's Office - Retirement System
Pam Deardorff	Retirement System
John McHugh	Gov Office
Amy Dobson	NC State Watch
Leigh H. Hammond	NC Retired Gov't Emp. Assn
Mary Jean Singletary	Intern - Rep Griffus
[signature]	NCFPC
Rob Johnson	District Attorney 15-A
Jessica Dawley	Covenant w/ NC's Children
Paula A. Stacy	" "

VISITOR REGISTRATION SHEET

APPROPRIATIONS — **Name of Committee**

JULY 9, 2003 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Larry Pearell Jr.	NC Retired School Personnel
A. C. Dawson	" " " "
Ed Eddins	" " Govt Employees Assn
ELLIS HANKINS	NCLM
TOM DAVIS	RESIDENT OF WAKE COUNTY
Jon Carr	Jordan Price Law firm
JON HILL	NC CJE
Lance Morgan	Office of the Governor
John Gray	Office of Rep. David Miner
Karen Chester	NC Interagency Council
Genevieve Doerfler	Executive Intern, FLD & Rep. Gibson

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joan Piercy	Capitol Group
John McAlister	Duke Energy
Mark Fleming	University System
Jim Blackburn	Assoc. of County Commissioners
Harry Payne	NCLLP
Barbara Hoots	NCRTL
Barry Saunders	NCDD
Ken Melton	Alley Associates
Jim Hyer	SBE

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE & BILL SPONSOR NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Thursday, July 10, 2003**

TIME: **8:30 a.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 543 Broaden Coverage/Fire and Rescue Pension
HB 1224 UNC – Nonappropriated Capital Projects

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **7:30 am** on **July 10, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
RALEIGH, NORTH CAROLINA 27601

HOUSE APPROPRIATIONS COMMITTEE MEETING
AGENDA

July 10, 2003 8:30 A.M.
643 LOB

Representative Debbie Clary, Presiding

Chairman's Comments

Bills

HB 543 BROADEN COVERAGE/FIRE AND RESCUE PENSION
Rep. McGee

HB 1224 UNC – NONAPPROPRIATED CAPITAL PROJECTS
Reps. G. Allen; Hackney, Howard, Insko, McComas, Miner, Sutton, Tolson, and Wainwright

Adjourn

Minutes
Appropriations Committee

July 10, 2003

The Full Appropriations Committee met on Thursday, July 10, 2003 in room 643 of the Legislative Office Building at 8:30 A.M. Chair Representative Debbie Clary presided. Fifty-four House members of Appropriations were in attendance. A visitor registration list is attached and made part of these minutes.

The Chairman called the meeting to order and welcomed the pages.

The first order of business was Committee Substitute for House Bill 543,AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND. Representative McGee, sponsor of the bill addressed the committee and Representative Baker moved for a favorable report on the bill. The Committee approved.

Representative Hackney explained HB 1224 AN ACT TO AUTHORIZE THE CONSTRUCTION AND THE FINANCING WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA. A motion was made by Representative Hackney to adopt Senate Bill 705, Committee Substitute for House Bill 1224. The motion passed and the Committee Substitute received a favorable report.

There being no further business, the meeting was adjourned by Chair, Representative Clary

Respectfully submitted,

Debbie Clary

Representative
Chairman (Presiding Chair)

Shirley Winstead

Committee Assistant

T. W Reynolds Hardaway

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
Appalachian State University		
Renovation - White Residence Hall	$ 5,200,000	2003
Renovation - Loville Residence Hall	5,200,000	2004
Renovation - Cone Residence Hall	5,200,000	2005
Renovation - Cannon Residence Hall	5,200,000	2005
Renovation - Frank Residence Hall	5,200,000	2006
Renovation - Belk Residence Hall	5,200,000	2007
Renovation - Eggers Residence Hall	4,500,000	2007
Renovation - Hoey Residence Hall	5,200,000	2008
Renovation - Gardner Residence Hall	5,200,000	2008
Renovation - Bowie Residence Hall	4,500,000	2008
Raley Hall Living Learning Residential Center	15,000,000	2008
Student Union and Post Office Addition	5,000,000	2003
Surface Parking Lot Renovations	2,500,000	2004
Legends Parking Deck (250 car)	4,000,000	2008
Kidd Brewer Stadium Turf Replacement, Track Resurfacing, and Stadium Enlargement	3,000,000	2007
Indoor Athletic Practice Facility	4,500,000	2008
East Carolina University		
Addition to Mendenhall Student Center	8,000,000	2006
Parking Structure	12,250,000	2006
Book Store	5,000,000	2006
Cultural Center	2,000,000	2007
Outpatient Center	50,000,000	2006
Diagnostic Center	10,000,000	2005
College Hill - Phase I	35,000,000	2005
Health Sciences Suites	8,319,500	2006
Reade Circle Apartments	21,152,000	2008
Central Campus Food Service	2,379,600	2006
Spot Renovation - Mendenhall	1,350,000	2004
Air Conditioning in Clement, White, and Greene Residence Halls	4,000,000	2004
Air Conditioning in Fletcher and Tyler Residence Halls	2,000,000	2005
Elevator Addition - Greene Residence Hall	500,000	2003

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
East Carolina University (continued)		
Elevator Addition - White Residence Hall	$ 500,000	2004
Elevator Addition - Fletcher Residence Hall	500,000	2005
Addition - Aycock Residence Hall	1,000,000	2005
Elizabeth City State University		
Bias Hall Renovation	1,500,000	2007
Renovate Complex Apartments	1,600,000	2005
Construct New 200 Bed Dormitory	4,500,000	2006
Replace Roof - Ridley Hall	175,000	2007
Fayetteville State University		
Replace Roof - Lyons Science Building	170,000	2003
Renovate Fayetteville State University Sports Complex	2,766,550	2003
Replace Windows - Lyons Science Building	250,000	2003
Replace Interior Lighting - Lyons Science Building	100,000	2004
Replace Acoustical Ceilings and Lighting - Lyons Science Building	150,000	2004
Replace Interior Lighting - Helen Chick Building	150,000	2005
Replace Interior Lighting - Cook Building	50,000	2006
Replace Interior Lighting - Rosenthal Building	100,000	2006
Replace Roof - Rosenthal Building	125,000	2006
Window Replacement - Cook Building	125,000	2006
Install Elevator - Cook Building	75,000	2007
Replace Exterior Doors - Helen Chick Building	25,000	2007
Renovate HVAC System - Cook Building	200,000	2007
Replace Chalk Boards and Projection Screens	100,000	2008
Miscellaneous Classroom Renovations	250,000	2008

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
North Carolina A & T State University		
Two Parking Decks	$ 22,000,000	2005
Stadium Fence	1,500,000	2004
Carver Hall	3,500,000	2005
Baseball Field Enhancements	2,300,000	2006
Research Test Facility	16,000,000	2005
Farm Infrastructure	3,000,000	2004
Pedestrian Mall	1,500,000	2003
Bell Tower Site	3,500,000	2004
New Alumni House	2,000,000	2004
New Education Building	11,000,000	2004
North Carolina Central University		
Cafeteria	10,000,000	2003
Student Housing	50,000,000	2004
Parking Garages	25,000,000	2003
Athletic Complex Expansions and Upgrades	15,000,000	2004
Student Union	8,000,000	2003
Student Health	3,000,000	2003
Student Services Facility Renovation	2,500,000	2003
North Carolina State University		
Renovation - Berry, Becton, and Bagwell Halls	10,000,000	2005
First Year College Academic Center	3,000,000	2005
E. S. King Village Community Center	2,000,000	2005
Renovation - Tucker and Owen Halls	9,000,000	2007
Renovation - Gold, Welch, and Syme Halls	7,000,000	2006
Future Housing	36,000,000	2008
Gymnasium Addition - Fitness Center	12,000,000	2004
Student Services - Phase I	25,000,000	2006
Carter-Finley Stadium Football Center Press Box Expansion	30,000,000	2004
Partners Building V	18,000,000	2005
Renovations - Thompson Theater, Talley, Witherspoon, and Price Music Center	6,000,000	2004
Bioprocess Training Center	35,000,000	2005
Institute For Paper Science and Technology	35,000,000	2004
Carter-Finley Stadium North End Zone Completion	20,000,000	2007

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
UNC Asheville		
Replace Roofing - Mills Hall	$ 300,000	2004
Renovate HVAC System - Residence Halls	300,000	2003
Parking Structure D	3,000,000	2004
Renovate Dining Hall	300,000	2005
Repair Elevators - Founders Hall	300,000	2004
New Residence Hall D	12,000,000	2004
Upgrade Fire Alarm System	200,000	2005
Repair Retaining Walls - Dining Hall	100,000	2004
ADA Improvements - Residence Halls	100,000	2005
UNC-Chapel Hill		
Rizzo Center	18,000,000	2004
Global Knowledge Center	18,000,000	2004
Botanical Garden Visitor Education Center	6,000,000	2004
Renovation - Campus YMCA	3,500,000	2004
Expansion - Ackland Art Museum	16,000,000	2004
ITS Building	16,300,000	2004
Campus Communications Infrastructure Project	4,016,200	2004
Relocation - Printing Services	3,500,000	2004
Renovation - Cobb Residence Hall	9,884,000	2004
Student Family Housing	30,000,000	2004
Renovation - Morrison Residence Hall	20,000,000	2004
Renovation - Hinton James Residence Hall	20,000,000	2004
Renovation - Everett Residence Hall	3,000,000	2006
Renovation - Lewis Residence Hall	3,000,000	2006
Renovation - Grimes Residence Hall	3,000,000	2006
Renovation - Manly Residence Hall	3,000,000	2006
Renovation - Beard Hall	2,394,000	2004
Global Education Center	5,000,000	2004
Chilled Water - Phase IV	2,500,000	2004
Science Complex - Phase III	67,200,000	2006
Science Complex - Phase I	16,550,000	2004
Smith-Playmakers	3,361,407	2005
Gerrard Hall	2,722,159	2005
Digital Multi-Media Complex	48,619,662	2004
Northeast Chiller Plant	11,608,326	2004
North Chiller Plant	15,181,943	2004

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
UNC-Chapel Hill (continued)		
Manning Drive Steam Plant	$ 22,500,000	2004
Science Complex Chiller Plant	9,295,525	2006
East Chiller Plant	13,368,337	2004
Cameron Avenue Substation Expansion	1,400,000	2004
Manning Drive Substation Expansion	1,200,000	2004
Cameron Plant Modification	3,750,423	2004
Back Pressure Turbine - Infrastructure	3,015,165	2004
100 KV Feeder (Manning to Cameron)	3,400,000	2004
SCADA - Primary Switch Upgrades	6,900,000	2004
South Substation Upgrade	1,400,000	2004
Southwest Sewer Connection	300,000	2004
Hotwater Replacement - Phase III	3,000,000	2004
Gilsulate Replacement - Steam Lines	8,000,000	2004
Bell Tower Parking Deck	25,150,000	2008
Cameron Parking Deck	15,700,000	2004
McCauley Parking Deck	1,975,000	2006
Science Complex Parking	9,600,000	2007
Manning Drive Parking Deck	30,000,000	2007
Renovation - Student Stores	5,000,000	2005
Renovation - Morehead Planetarium	25,000,000	2007
UNC Charlotte		
Residence Hall - Phase VIIII	24,852,951	2006
Research Facility	20,000,000	2006
Brocker Health Center	6,670,000	2003
Parking Deck G	8,300,000	2005
Student Union	27,000,000	2004
UNC Greensboro		
Bath Renovation	3,300,000	2004
HVAC Renovation - Phase III	4,070,000	2005
Gove Health Center	8,500,000	2005
Softball Field	3,000,000	2004
Recreation Field - Support Building	300,000	2003
Exercise Track and Volleyball Court	1,000,000	2003
Elliott Center - Library Connector	1,500,000	2004
HVAC Renovation - Phase IV	6,815,000	2006

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
UNC Greensboro (continued)		
HVAC Renovation - Phase V	$ 7,671,000	2007
HVAC Renovation - Phase VI	10,702,000	2008
Baseball Club House	1,500,000	2009
UNC Pembroke		
New Tennis Courts	500,000	2008
New Softball Field	1,000,000	2008
New Baseball Field	2,000,000	2008
New Locker Rooms - Jones Athletic Center	350,000	2004
Belk Soccer Complex - New Seating	400,000	2003
New Storage Building	25,000	2003
Scoreboard	150,000	2003
Givens PAC Renovations	1,577,000	2007
Renovations - Student Health Services	35,000	2003
Renovations - Chavis Center	400,000	2003
Asbestos Removal - North Hall	600,000	2003
Asbestos Removal - West Hall	600,000	2004
Window Replacement - Belk and North Halls	800,000	2005
Fire Safety - Belk, North, and West Halls	1,000,000	2005
Structural Repairs - Wellons Hall	1,200,000	2005
HVAC Renovations - Belk and North Halls	2,000,000	2007
UNC Wilmington		
Housing	24,000,000	2004
Warwick Renovation University Union	4,000,000	2005
Western Carolina University		
Electric Power Upgrade - Resale System	250,000	2003
Student Recreation Center	11,500,000	2003
Student Residence Hall II	11,056,100	2004
Student Residence Hall III	11,056,100	2006
Landscaping	250,000	2005
Cafeteria Renovation - Dodson and Brown	5,320,000	2005
Residence Hall Renovation - Phase I - Albright-Benton	11,355,900	2005

Institutional Six-Year Plans for Projects Funded from Non-appropriated Sources

		Year Project Initiated
Western Carolina University (continued)		
Residence Hall Renovation - Phase II - Helder	$ 9,814,600	2007
Residence Hall Renovation - Phase III - Leatherwood	9,814,600	2009
Elevator Replacement - Three Residence Halls	1,140,000	2004
Renovate Faculty Apartments	950,900	2004
Card Access for Residence Halls	317,000	2005
Book and Supply Store Renovation	350,000	2003
Winston-Salem State University		
Purchase and Renovation - Davis Garage	2,700,000	2006
Purchase - Civitan Park	2,300,000	2003
Residential Facilities	13,000,000	2005
The North Carolina Arboretum		
Bonsai Garden	1,500,000	2004
Outdoor Events Garden	2,500,000	2004
Holly Garden	175,000	2005
Heritage Garden	175,000	2005
VEC Gift Shop	100,000	2003

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 3

HOUSE BILL 543

Corrected Copy 3/19/03

Committee Substitute Favorable 4/2/03

Short Title: Broaden Coverage/Fire and Rescue Pension. (Public)

Sponsors:

Referred to:

March 18, 2003

A BILL TO BE ENTITLED

AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 58-86-25 reads as rewritten:

"**§ 58-86-25. "Eligible firemen" defined; determination and certification of volunteers meeting qualifications.**

"Eligible firemen" shall mean all firemen of the State of North Carolina or any political subdivision thereof, including those performing such functions in the protection of life and property through fire fighting within a county or city governmental unit and so certified to the Commissioner of Insurance by the governing body thereof, and who belong to a bona fide fire department which, as determined by the Commissioner, is classified as not less than class "9" or class "A" and "AA" departments in accordance with rating methods, schedules, classifications, underwriting rules, bylaws or regulations effective or applied with respect to the establishment of rates or premiums used or charged pursuant to Article 36 or 40 of this Chapter or by such other reasonable methods as the Commissioner may determine, and which operates fire apparatus and equipment of the value of five thousand dollars ($5,000) or more, and said fire department holds drills and meetings not less than four hours monthly and said firemen attend at least 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean an employee of a county whose sole duty is to act as fire ~~marshal~~ marshal, deputy fire marshal, assistant fire marshal, or firefighter of the county, provided the board of county commissioners of that county certifies the ~~fire marshal's~~ employee's attendance at no less than 36 hours of all drills and meetings in each calendar year. "Eligible firemen" shall also mean those persons meeting the other qualifications of this section, not exceeding 25 volunteer firemen plus one additional volunteer fireman per 100 population in the area served by their respective departments.

Each department shall annually determine and report the names of those firemen meeting the eligibility qualifications of this section to its respective governing body, which upon determination of the validity and accuracy of the qualification shall promptly certify the list to the North Carolina State Firemen's Association. The Firemen's Association shall provide a list of those persons meeting the eligibility requirements of this section to the State Treasurer by July 1 of each year. For the purposes of the preceding sentence, the governing body of a fire department operated: by a county is the county board of commissioners; by a city is the city council; by a sanitary district is the sanitary district board; by a corporation, whether profit or nonprofit, is the corporation's board of directors; and by any other entity is that group designated by the board."

SECTION 2. This act becomes effective July 1, 2003.

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright** (Chairs) for the Committee on **APPROPRIATIONS.**

☒ Committee Substitute for
H.B. 543 A BILL TO BE ENTITLED AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 543

SHORT TITLE: Broaden Coverage/Fire and Rescue Pension

SPONSOR(S): Representative McGee

SYSTEM OR PROGRAM AFFECTED: Firemen's and Rescue Squad Workers' Pension Fund

FUNDS AFFECTED: General Fund

BILL SUMMARY: Allows the deputy fire marshals, assistant fire marshals and county firefighters of the counties to be eligible for membership in the Firemen's and Rescue Squad Workers' Pension Fund if their sole duty is that of deputy fire marshals, assistant fire marshal or county firefighters. The county commissioners must certify to the Fund annually that they have received their required 36 hours of training.

EFFECTIVE DATE: July 1, 2003

ESTIMATED IMPACT ON STATE: Both actuaries estimate the annual cost to be $152.83 per person who joins the Pension Fund. There are approximate 161 individuals who would qualify under this bill, some of which are already members of the Pension Fund through their membership in other fire departments. If all 161 individuals whose sole duty is that of the deputy fire marshals, assistant fire marshals and county firefighters, the cost will be as follows:

FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
$24,606	$24,606	$24,606	$24,606	$24,606

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 1, 2003

PUBLIC BILL

~~Proposed~~ Committee Substitute For
H.B. 543

SESSION LAW _____

A BILL TO BE ENTITLED

AN ACT TO INCLUDE DEPUTY FIRE MARSHALS, ASSISTANT FIRE MARSHALS, AND COUNTY FIREFIGHTERS AS ELIGIBLE MEMBERS OF THE FIREMEN'S AND RESCUE SQUAD WORKERS' PENSION FUND.

Introduced by Representative(s): McGee;

Principal Clerk's Use Only

The Committee on PENSIONS + Retirement a majority being present, having considered this bill, recommend that it do ✓ pass.

Reps. Bell + G. Wilson
For the Committee

TO BE RE-REFERED TO COM. ON APPRO.

~~FAVORABLE TO COMM. SUB.~~
~~UNFAVORABLE TO BILL~~

APR 2 2003

~~AND PLACED ON CALENDAR FOR~~
re-referred to Appropriations

The Committee on Appropriations a majority being present, having considered this bill, recommend that it do _____ pass.
Reps. Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill and Wright
For the Committee

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE ACTUARIAL NOTE
RETIREMENT

BILL NUMBER: House Bill 543

SHORT TITLE: Broaden Coverage/Fire and Rescue Pension

SPONSOR(S): Representative McGee

SYSTEM OR PROGRAM AFFECTED: Firemen's and Rescue Squad Workers' Pension Fund

FUNDS AFFECTED: General Fund

BILL SUMMARY: Allows the deputy fire marshals, assistant fire marshals and county firefighters of the counties to be eligible for membership in the Firemen's and Rescue Squad Workers' Pension Fund if their sole duty is that of deputy fire marshals, assistant fire marshal or county firefighters. The county commissioners must certify to the Fund annually that they have received their required 36 hours of training.

EFFECTIVE DATE: July 1, 2003

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$24,606	$24,606	$24,606	$24,606	$24,606

SOURCES OF DATA: System Actuary - Buck Consultant, Inc.
General Assembly Actuary - Hartman & Associates, LLC

FISCAL RESEARCH DIVISION (919) 733-4910. The above information is provided in accordance with North Carolina General Statute 120-114 and applicable Rules of the North Carolina Senate and House of Representatives

PREPARED BY: Stanley Moore

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 1, 2003

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 1224*

Short Title:	UNC - Nonappropriated Capital Projects.	(Public)
Sponsors:	Representatives G. Allen; Hackney, Howard, Insko, McComas, Miner, Sutton, Tolson, and Wainwright.	
Referred to:	Appropriations.	

April 15, 2003

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CONSTRUCTION AND THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. The purpose of this act is: (i) to authorize the construction by certain constituent institutions of The University of North Carolina, of the capital improvements projects listed in the act for the respective institutions, and (ii) to authorize the financing of these projects with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, or other funds, or any combination of these funds, but not including funds appropriated from the General Fund of the State.

SECTION 2. The capital improvements projects, and their respective costs, authorized by this act to be constructed and financed as provided in Section 1 of this act are as follows:

1	Appalachian State University	
	Athletic Facilities	35,800,000
	400-Space Parking Deck	5,000,000
2	East Carolina University	
	College Hill Residence Halls - Phase I	35,000,000
	Renovation of Clement, Greene, and White Residence Halls	4,950,000
3	North Carolina A&T State University	
	Renovation of the Memorial Student Union	2,700,000
4	North Carolina Central University	

	500-Space Parking Deck	5,000,000
5	North Carolina State University	
	Renovation of Berry, Becton, and	
	Bagwell Residence Halls	10,000,000
	E.S. King Village Community Center	2,000,000
	Student Fitness Center	12,000,000
	Partners V Building	18,000,000
	Renovations to Thompson Theatre,	
	Talley, Witherspoon and Price Music Center	6,000,000
	Derr Track, Softball, and Soccer Complex	1,000,000
	Renovations to Reynolds Coliseum	5,000,000
6	The University of North Carolina at Chapel Hill	
	Rizzo Center - Expansion	18,000,000
	McColl Building Addition	18,000,000
	Botanical Garden Visitor Education Center	6,000,000
	Ackland Art Museum - Expansion	16,000,000
	Printing Services	3,500,000
	ITS Building	12,300,000
	YMCA Renovation	3,500,000
	Student Family Housing	30,000,000
	Cobb Residence Hall - Renovation	9,884,000
	Parking Facilities	19,200,000
	Major Infrastructure Improvements	
	& Waste Remediation	52,000,000
7	University of North Carolina at Charlotte	
	Student Union	39,700,000
	Baseball Stadium Improvements	3,000,000
8	University of North Carolina at Greensboro	
	Exercise Track	1,000,000
	Ragsdale/Mendenhall, and	
	Weil/Winfeld Residence Halls - Renovations	3,300,000
	Elliot University Center Library Connector	1,500,000
	Gove Health Center	8,500,000
	Softball Field	3,000,000
9	Western Carolina University	
	New Student Residence Hall	13,161,000
	Residence Hall Renovation	10,264,700
	Parking Deck - 500 Spaces	6,250,000
	Dodson Cafeteria Renovation	4,927,400

	Softball Field and Stadium	2,320,000

SECTION 3. The capital improvements projects, and their respective costs, authorized by this act to be financed as provided in Section 1 and Section 5 of this act, are as follows:

1	The University of North Carolina at Chapel Hill	
	Burnett-Womack Building	7,395,000
	Beard Hall Renovations	2,394,000
	Science Complex, Phase I	8,854,000
	Manning Steam Plant	13,212,360
	Global and International Studies Facility	5,000,000
	Cogeneration-Turbine Improvements	24,000,000
2	The University of North Carolina at Pembroke	
	Auxiliary Services Building	1,500,000
	Improvements to Recreational, Athletic, and Physical Education Facilities	600,000

SECTION 4. At the request of the Board of Governors of The University of North Carolina and upon determining that it is in the best interest of the State to do so, the Director of the Budget may authorize an increase or decrease in the cost of, or a change in the method of, funding the projects authorized by this act. In determining whether to authorize a change in cost or funding, the Director of the Budget may consult with the Joint Legislative Commission on Governmental Operations.

SECTION 5. Pursuant to G.S. 116D-26, the Board of Governors may issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board of Governors for the purpose of paying all or any part of the cost of acquiring, constructing, or providing for the projects authorized by this act. The maximum principal amount of bonds to be issued shall not exceed the specified project costs in Sections 2 and 3 of this act plus fifteen million dollars ($15,000,000) for related additional costs, such as issuance expenses, funding of reserve funds, and capitalized interest.

SECTION 6. With respect to three projects at the University of North Carolina at Chapel Hill, the Rizzo Center Expansion, the Ackland Art Museum Expansion, and Student Family Housing, the institution may accomplish construction and financing through lease arrangements to and from nonprofit corporations as follows:

1. Rizzo Center through lease with the Kenan-Flagler Business School Foundation.
2. Ackland Art Museum through lease with the University of North Carolina at Chapel Hill Foundation, Inc.
3. Student Family Housing through lease with the University of North Carolina at Chapel Hill Foundation, Inc.

SECTION 7. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S D

SENATE BILL 705*
Second Edition Engrossed 6/9/03
PROPOSED HOUSE COMMITTEE SUBSTITUTE S705-CSLR-25 [v.2]

7/9/2003 5:06:48 PM

Short Title: UNC - Nonappropriated Capital Projects. (Public)

Sponsors:

Referred to:

April 2, 2003

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE CONSTRUCTION AND THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA.

The General Assembly of North Carolina enacts:

SECTION 1. The purpose of this act is: (i) to authorize the construction by certain constituent institutions of The University of North Carolina, of the capital improvements projects listed in the act for the respective institutions, and (ii) to authorize the financing of these projects with funds available to the institutions from gifts, grants, receipts, self-liquidating indebtedness, or other funds, or any combination of these funds, but not including funds appropriated from the General Fund of the State.

SECTION 2. The capital improvements projects, and their respective costs, authorized by this act to be constructed and financed as provided in Sections 1 and 6 of this act are as follows:

1	Appalachian State University	
	Athletic Facilities	35,800,000
	400-Space Parking Deck	5,000,000
2	East Carolina University	
	College Hill Residence Halls - Phase I	35,000,000
	Renovation of Clement, Greene, and White Residence Halls	4,950,000
3	North Carolina A&T State University	
	Renovation of the Memorial Student Union	2,700,000

4	North Carolina Central University	
	500-Space Parking Deck	5,000,000
5	North Carolina State University	
	Renovation of Berry, Becton, and Bagwell Residence Halls	10,000,000
	E.S. King Village Community Center	2,000,000
	Student Fitness Center	12,000,000
	Partners V Building	18,000,000
	Renovations to Thompson Theatre, Talley, Witherspoon and Price Music Center	6,000,000
	Derr Track, Softball, and Soccer Complex	1,000,000
	Renovations to Reynolds Coliseum	5,000,000
6	The University of North Carolina at Chapel Hill	
	Rizzo Center - Expansion	18,000,000
	McColl Building Addition	18,000,000
	Botanical Garden Visitor Education Center	6,000,000
	Ackland Art Museum - Expansion	16,000,000
	Printing Services	3,500,000
	ITS Building	12,300,000
	Former YMCA Renovation	3,500,000
	Student Family Housing	30,000,000
	Cobb Residence Hall - Renovation	9,884,000
	Parking Facilities	19,200,000
	Major Infrastructure Improvements & Waste Remediation	52,000,000
7	University of North Carolina at Charlotte	
	Student Union	39,700,000
	Baseball Stadium Improvements	3,000,000
8	University of North Carolina at Greensboro	
	Exercise Track	1,000,000
	Ragsdale/Mendenhall, and Weil/Winfeld Residence Halls - Renovations	3,300,000
	Elliot University Center Library Connector	1,500,000
	Gove Health Center	8,500,000
	Softball Field and Stadium Complex	3,000,000
9	Western Carolina University	
	New Student Residence Hall	13,161,000
	Residence Hall Renovation	10,264,700
	Parking Deck - 500 Spaces	6,250,000

	Dodson Cafeteria Renovation	4,927,400
	Softball Field and Stadium	2,320,000

SECTION 3. The capital improvements projects, and their respective costs, authorized by this act to be financed as provided in Section 1 and Section 5 of this act, are as follows:

1	The University of North Carolina at Chapel Hill	
	Burnett-Womack Building	7,395,000
	Beard Hall Renovations	2,394,000
	Science Complex, Phase I	8,854,000
	Manning Steam Plant	13,212,360
	Global and International Studies Facility	5,000,000
	Cogeneration-Turbine Improvements	24,000,000
2	The University of North Carolina at Pembroke	
	Auxiliary Services Building	1,500,000
	Improvements to Recreational, Athletic, and Physical Education Facilities	600,000

SECTION 4. At the request of the Board of Governors of The University of North Carolina and upon determining that it is in the best interest of the State to do so, the Director of the Budget may authorize an increase or decrease in the cost of, or a change in the method of, funding the projects authorized by this act. In determining whether to authorize a change in cost or funding, the Director of the Budget shall consult with the Joint Legislative Commission on Governmental Operations.

SECTION 5. Pursuant to G.S. 116D-26, the Board of Governors may issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board of Governors for the purpose of paying all or any part of the cost of acquiring, constructing, or providing for the projects authorized by this act. The maximum principal amount of bonds to be issued shall not exceed the specified project costs in Sections 2 and 3 of this act plus fifteen million dollars ($15,000,000) for related additional costs, such as issuance expenses, funding of reserve funds, and capitalized interest.

SECTION 6.. With respect to three projects at the University of North Carolina at Chapel Hill, the Rizzo Center Expansion, the Ackland Art Museum Expansion, and Student Family Housing, the institution may accomplish construction and financing through lease arrangements to and from nonprofit corporations as follows:

1. Rizzo Center through lease with the Kenan-Flagler Business School Foundation.
2. Ackland Art Museum through lease with the University of North Carolina at Chapel Hill Foundation, Inc.
3. Student Family Housing through lease with the University of North Carolina at Chapel Hill Foundation, Inc.

SECTION 7. This act is effective when it becomes law.

1/1

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, Wright** (Chairs) for the Committee on **APPROPRIATIONS.**

☐ Committee Substitute for
S.B. 705 A BILL TO BE ENTITLED AN ACT TO AUTHORIZE THE CONSTRUCTION AND THE FINANCING, WITHOUT APPROPRIATIONS FROM THE GENERAL FUND, OF CERTAIN CAPITAL IMPROVEMENTS PROJECTS OF THE CONSTITUENT INSTITUTIONS OF THE UNIVERSITY OF NORTH CAROLINA.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the House committee substitute bill, unfavorable as to the original bill.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

SENATE BILL 705:
UNC - Nonappropriated Capital Projects

BILL ANALYSIS

Committee:	House Appropriations	**Introduced by:**	Sen. Kerr
Date:	July 10, 2003	**Summary by:**	Senate Finance Staff and House Appropriations Staff
Version:	House PCS S705-CSLR-25		

SUMMARY: Senate Bill 705 authorizes the construction of numerous projects by The University of North Carolina. The projects will be financed through revenue bonds and special obligation bonds, not appropriations from the General Fund. It also authorizes the construction and financing of three capital projects at UNC-Chapel Hill through lease arrangements with nonprofit corporations.

CURRENT LAW: There are two types of self-liquidating bonds that may be issued by the Board of Governors of the University of North Carolina. Article 21 of Chapter 116 of the General Statutes authorizes the Board of Governors to issue revenue bonds for the types of projects enumerated in the article. The types of projects for which revenue bonds may be issued include educational buildings, dormitories, recreational facilities, dining facilities, student centers, health care buildings, parking decks, etc. The revenue bonds are payable from rentals, charges, fees, and other revenues generated by the facility. The bonds are not payable from tax revenues.

Article 3 of Chapter 116D of the General Statutes authorizes the Board of Governors to issue special obligation bonds payable with any sources of income or receipts of the Board of Governors or a constituent or affiliated institution, but not including tuition payments or appropriations from the General Fund from State revenues. The bond proceeds could be used for construction, improvement, and acquisition of any capital facilities located at UNC constituent and affiliated institutions. The bonds are not payable from tax revenues.

BILL ANALYSIS: **Section 1** of the bill states the purpose of the act is to authorize the construction and financing of the capital improvements projects at various constituent institutions of The University of North Carolina. The projects authorized by the bill would not be financed with funds appropriated from the State's General Fund; but may be financed with gifts, grants, receipts, self-liquidating indebtedness, other funds available to the constituent institutions, or a combination of any of those financing methods.

Section 2 sets out the self-liquidating projects the Board of Governors plans to finance with revenue bonds. Although the UNC revenue bond act in Chapter 116 does not require the enactment of an appropriation bill, the customary practice for UNC system revenue bond issues has been legislation that lists the specific projects to be financed and their costs.

Section 3 sets out eight additional capital improvements projects and authorizes the financing of the costs of those projects with revenue and/or special obligation bonds. The eight projects set out in this section were previously authorized for construction in S.L. 2000-3 as part of the

earlier general obligation bond program. This bill would allow the projects to also be financed with special obligation bond proceeds.

Section 4 authorizes the Director of the Budget, at the request of the Board of Governors, to authorize cost increases or decreases, or changes in the method of financing for the projects authorized by the bill. The Director of the Budget must consult with the Joint Legislative Commission on Governmental Operations.

The UNC special obligation bond act requires that the specific projects and their costs be set forth in legislation approved by the General Assembly and that the maximum amount of special obligation bonds to be issued to finance the specific projects listed be stated. **Sections 2 and 3** set forth the specific projects and their costs. **Section 5** expressly states that the maximum principal amount of special obligation bonds to be issued shall not exceed the amounts listed in Sections 2 and 3 plus $15 million for related additional costs for which bond proceeds are routinely used, such as issuance expenses, funding of reserve funds, and capitalized interest.

Section 6 authorizes the financing of three projects at UNC-Chapel Hill through lease arrangements with nonprofit corporations. Over the years, the University system has used lease arrangements with nonprofit corporations to construct facilities necessary to academic life, student support services, physical education and recreation, athletics, and other programs when the facilities are financed by major gifts. The process followed by the State is as follows:

- The State, following guidelines established by the Department of Administration and with Council of State approval, leases land to the nonprofit corporation for the period of time required for the construction of the facility.
- The nonprofit corporation, after review and approval of construction plans by the State Construction Office, builds the facility. All the projects are subject to the Department of Insurance review to ensure that they meet State Building Code requirements.
- When construction is completed and the facility has been deemed acceptable to the State, the lease expires and the land returns to the State's control, along with the newly constructed facility.

The difference between the three projects named in **Section 6** of the bill and the other projects constructed in this manner is that the bill authorizes the University to issue long-term debt as a means of financing the indebtedness. The three projects named in this section are the Rizzo Center, the Ackland Art Museum, and Student Family Housing.

VISITOR REGISTRATION SHEET

APPROPRIATIONS — **Name of Committee**

JULY 10, 2003 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jay Davis	UNC
Dwayne Pinkney	UNC
R B Nelson	UNC
Jeff Davis	UNC
Rhett Willis	NC State
Kevin FitzGerald	UNC CHAPEL HILL
Robert Wilson	Sec of State office
Roz Sawicki	NC Child Care Coalition
AL DEITCH	VATO/DOA
Roger Bone	Bone & Assoc - NC State Farm
Joe McClees	McClees Consulting Inc

VISITOR REGISTRATION SHEET

APPROPRIATIONS — **Name of Committee**

JULY 10, 2003 — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Henry Lancaster	LCA
Mark Fleming	University System
Kevin Fitzgerald	Great American
Andy Willis	Wonderful Human Being
[illegible]	Parker Poe Adams & Bernstein LLP
Jim Hobbs	NC Lodging
John McMillan	MF&S
Steve Woodson	NC Farm Bureau

CORRECTED NOTICE (Adds New Bills)

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE & BILL SPONSOR NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Wednesday, July 16, 2003**

TIME: **10:00 a.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 327	**Increase Penalty for Certain Bomb Offenses**
HB 1091	**Penalty for Illegal Indoor Pyro**
SB 867	**Arson/Serious Injury To Firefighter**
SB 226	**Unauthorized Admin. Meds. By Child Care Fac.**
HB 831	**Coastal Recreational Fishing License/Fund**
HB 732	**Street Gang Terrorism Prevention Act**
SB 568	**Superintendent of Pub. Instruction Appointed**

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **12:30 pm** on **July 15, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
RALEIGH, NORTH CAROLINA 27601

HOUSE APPROPRIATIONS COMMITTEE
AGENDA
July 16, 2003 10:00 A.M.
643 LOB

Representative Jim Crawford, Presiding

Chairman's Comments

Bills

HB 327	INCREASE PENALTY FOR CERTAIN BOMB OFFENSES – Rep. Goodwin
HB 732	STREET GANG TERRORISM PREVENTION ACT – Rep. Michaux
HB 831	COASTAL RECREATIONAL FISHING LICENSE/FUND – Reps. Gibson, McComas
HB 1091	PENALTY FOR ILLEGAL INDOOR PYRO – Reps. Goodwin, Blackwood, Dickson
SB 226	UNAUTHORIZED ADMIN. MEDS. BY CHILD CARE FAC. – Senator Purcell
SB 568	SUPERINTENDENT OF PUBLIC INSTRUCTION APPOINTED – Senator Gulley
SB 867	ARSON/SERIOUS INJURY TO FIREFIGHTER – Senator Hagan

Adjourn

MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS
JULY 16, 2003

The House Committee on Appropriations met on Wednesday, July 16, in Room 643 of the Legislative Office Building at 10:00 a.m. Chairman Jim Crawford presided and introduced pages. Sixty-seven (67) members of the committee were present as well as staff to the committee, Lynn Muchmore. A visitor registration list is attached and made part of these minutes.

Chairman Crawford asked Representative Cole for a report from the subcommittee he chaired on HB 806 Rebate and Grant Program for AFVS. The subcommittee met on Monday; however, the sponsor elected to pull the bill from consideration.

SB 226 UNAUTHORIZED ADM. MEDS. BY CHILD CARE FAC.

A subcommittee was appointed (Reps. Grady, Chair; Goodwin, Gorman, Justice, Sutton) to consider the House committee substitute for SB 226. Representative Grady moved to consider the new Proposed Committee Substitute and explained the changes indicating that the bill sponsor, Senator Purcell, agreed. To clarify discussion on the term "willfully," staff handed out a Court of Appeals definition. Representative Michaux submitted an amendment to change the term "Class H felony" to read "Class A1 misdemeanor" and moved for its adoption. The motion passed. Representative Nesbitt submitted an amendment but later withdrew it. Representative Michaux moved to give the proposed committee substitute, as amended, a favorable report and an unfavorable report to the original committee substitute. The motion passed.

HB 732 STREET GANG TERRORISM PREVENTION ACT

Representative Michaux was recognized to present the bill. In doing so, he acknowledged the lack of funds to support its immediate passage and withdrew the bill from consideration.

HB 1091 PENALTY FOR ILLEGAL INDOOR PYRO

Chairman Crawford indicated that the bill sponsor requested that the bill be withdrawn because the provisions of the bill had been included in another bill.

SB 867 ARSON/SERIOUS INJURY TO FIREFIGHTER

Senator Hagen was recognized to present the arson-firefighter injury portion of the bill. Representative Baker moved to consider a Proposed Subcommittee Substitute which incorporates Representative Goodwin's bill on the agenda, HB 327 INCREASE PENALTY FOR CERTAIN BOMB OFFENSES. Representative Goodwin was then

recognized to discuss the bomb offense portion. Representative Sherrill moved to amend Page 1, Lines 14-16 by deleting last sentence (LH-22). The amendment passed. Representative Nesbitt submitted amendment ALH-23. Representative Sherrill moved for acceptance and the amendment passed. Representative Wright moved to give the proposed committee substitute a favorable report and an unfavorable to the original committee substitute. The motion carried.

SB 568 SUPERINTENDENT OF PUBLIC INSTRUCTION APPOINTED

Senator Gulley explained the bill and provided a letter from the superintendent and State Board chair supporting this constitutional change. Representative Michaux submitted an amendment changing the term "Appointee of the Governor" to "Appointive Position" and an amendment to change the term throughout the document. Representative Yongue commented, as did several members, that the bill had not been discussed in the Education Committee and moved that it be re-referred to Education. The motion passed.

HB 831 COASTAL RECREATIONAL FISHING LICENSE/FUND

Representative Gibson was recognized to explain the bill. He submitted a proposed committee substitute ((CSSB-46) for consideration along with handouts. Discussion of the bill will be continued at the next meeting.

The meeting adjourned at 12:05 pm.

James W. Crawford Jr
Representative Jim Crawford, Co-Chair

Linda Winstead
Linda Winstead, Committee Assistant

Representative Rex Baker
Representative Debbie Clary
Representative Beverly Earle
Representative Robert Grady
Representative Bill Owens
Representative Wilma Sherrill
Representative Thomas Wright

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS.**

☒ House Committee Substitute for
S.B. 226 A BILL TO BE ENTITLED AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the House committee substitute bill # 2, unfavorable as to Committee Substitute Bill # 1.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 5

SENATE BILL 226

Health and Human Resources Committee Substitute Adopted 3/5/03
Judiciary II Committee Substitute Adopted 4/8/03
Fourth Edition Engrossed 4/10/03
House Committee Substitute Favorable 6/17/03

Short Title: Unauthorized Admin. Meds. by Child Care Fac. (Public)

Sponsors:

Referred to:

February 26, 2003

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known as "Kaitlyn's Law".

SECTION 2. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"**§ 110-102.1A. Unauthorized administration of medication.**

(a) It is unlawful for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility as defined in G.S. 110-86, to willfully administer, without written authorization, prescription or over-the-counter medication to a child attending the child care facility. For the purposes of this section, written authorization shall include the child's name, date or dates for which the authorization is applicable, dosage instructions, and signature of the child's parent or guardian.

(b) In the event of an emergency medical condition and the child's parent or guardian is unavailable, it shall not be unlawful to administer medication to a child attending the child care facility without written authorization as required under subsection (a) of this section if the medication is administered with the authorization and in accordance with instructions from a bona fide medical care provider. For purposes of this subsection, the following definitions apply:

(1) A bona fide medical care provider means an individual who is licensed, certified, or otherwise authorized to prescribe the medication.

(2) An emergency medical condition means circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed.

(c) A violation of this section that results in serious injury to the child shall be punished as a Class F felony.

(d) Any other violation of this section shall be punished as a Class H felony."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: SB 226 5th Edition **(Corrected Version)**

SHORT TITLE: Unauthorized Admin. Meds. By Child Care Fac.

SPONSOR(S): Senator Purcell

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring		**Unable to determine exact amount.**			
Nonrecurring					
Judicial					
Recurring		**Unable to determine exact amount.**			
Nonrecurring					
TOTAL EXPENDITURES:		**Unable to determine exact amount.**			
ADDITIONAL PRISON BEDS*		**Unable to determine exact number of beds.**			
POSITIONS: (cumulative)		**Unable to determine exact amount.**			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: SB 226 amends Chapter 110 of the General Statutes by adding a new section making it a Class H felony for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility to willfully administer any type of prescription or over-the-counter medication to a child attending the child care facility without first obtaining prior written authorization from the child's parent or guardian, except when the unauthorized administration of medicines results in a serous injury to the child which is punishable by a Class F felony. Written authorization is defined to include the child's name, date, dosage instructions, and signature of the child's parent or guardian.

In addition, the bill provides an exception for emergency medical conditions when the child's parent or guardian is unavailable. It is not unlawful to administer medication to a child for emergency medical conditions without written authorization from his or her parent if the medication is administered with the authorization and in accordance with instructions from a "bona fide medical provider". Emergency medical condition is defined as circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed. A "bona fide medical provider" is defined to include any person who is licensed, certified, or otherwise authorized to prescribe medicine.

ASSUMPTIONS AND METHODOLOGY:

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because SB 226 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced for this proposed offense. If there were three Class H felony convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and two additional prison beds the second year. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Furthermore, because it is not known how many of these offenses would result in serious injury, it is not known how many offenders might be sentenced for violations of a Class F felony. If, for example, there were three convictions of the Class F subsection under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year. In 2000-2001, the average estimated time served for an offender convicted of a Class F felony was a minimum of 18 months and a maximum of 22 months.

Judicial Branch

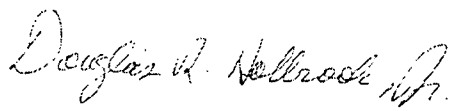
For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Because SB 226 provides for two new felony offenses, AOC is unable to estimate the number of new felony charges. Because the Division of Child Development does not have data on how often medications are administered without prior authorization[1] nor is able to estimate the number of serious injuries that may result, AOC is unable to estimate the number of charges that could arise from the amended statute. For Class H felony offenses that are brought to trial, the estimated court cost per trial is $4,986. For Class H felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $248. For Class F felony offenses that are brought to trial, the estimate court cost per trial is $6,629. For Class F Felony offenses that are not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $320.

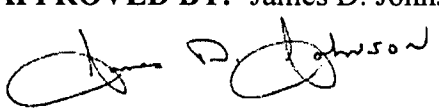
SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Douglas R. Holbrook



APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: June 9, 2003

1 Administrative Office of the Courts Research and Planning Division.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S D

SENATE BILL 226

Health and Human Resources Committee Substitute Adopted 3/5/03
Judiciary II Committee Substitute Adopted 4/8/03
Fourth Edition Engrossed 4/10/03
House Committee Substitute Favorable 6/17/03
PROPOSED HOUSE COMMITTEE SUBSTITUTE S226-CSRQ-44 [v.4]

7/15/2003 2:16:20 PM

Short Title: Unauthorized Admin. Meds. by Child Care Fac. (Public)

Sponsors:

Referred to:

February 26, 2003

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known as "Kaitlyn's Law".

SECTION 2. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"**§ 110-102.1A. Unauthorized administration of medication.**

(a) It is unlawful for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility as defined in G.S. 110-86, including child care facilities operated by public schools and nonpublic schools as defined in G.S. 110-86(2)(f), to willfully administer without written authorization, prescription or over-the-counter medication to a child attending the child care facility. For the purposes of this section, written authorization shall include the child's name, date or dates for which the authorization is applicable, dosage instructions, and signature of the child's parent or guardian. For the purposes of this section, a child care facility operated by a public school does not include kindergarten through twelfth grade classes.

(b) In the event of an emergency medical condition and the child's parent or guardian is unavailable, it shall not be unlawful to administer medication to a child attending the child care facility without written authorization as required under subsection (a) of this section if the medication is administered with the authorization

and in accordance with instructions from a bona fide medical care provider. For purposes of this subsection, the following definitions apply:

(1) A bona fide medical care provider means an individual who is licensed, certified, or otherwise authorized to prescribe the medication.

(2) An emergency medical condition means circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed.

(c) A violation of this section that results in serious injury to the child shall be punished as a Class F felony.

(d) Any other violation of this section where medication is administered willfully shall be punished as a Class H felony."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: **July 15, 2003**

TO: House Appropriations Committee

FROM: Douglas R. Holbrook
Fiscal Research Division

RE: SB 226

FISCAL IMPACT

Yes (x) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
EXPENDITURES	Unable to determine exact amount.				
POSITIONS:					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch.

EFFECTIVE DATE: December 1, 2003

BILL SUMMARY: SB 226 amends Chapter 110 of the General Statutes by adding a new section making it a Class H felony for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility, including child care facilities operated by public schools but not including kindergarten through twelfth-grade classes, to

intentionally administer any type of prescription or over-the-counter medication to a child attending the child care facility without first obtaining prior written authorization from the child's parent or guardian, except when the unauthorized administration of medicines results in a serous injury to the child which is punishable by a Class F felony. Written authorization is defined to include the child's name, date, dosage instructions, and signature of the child's parent or guardian.

In addition, the bill provides an exception for emergency medical conditions when the child's parent or guardian is unavailable. It is not unlawful to administer medication to a child for emergency medical conditions without written authorization from his or her parent if the medication is administered with the authorization and in accordance with instructions from a "bona fide medical provider". Emergency medical condition is defined as circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed. A "bona fide medical provider" is defined to include any person who is licensed, certified, or otherwise authorized to prescribe medicine.

ASSUMPTIONS AND METHODOLOGY:

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because SB 226 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced for this proposed offense. If there were three Class H felony convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and two additional prison beds the second year. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Furthermore, because it is not known how many of these offenses would result in serious injury, it is no t known how many offenders might be sentenced for violations of a Class F felony. If, for example, there were three convictions of the Class F subsection under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year. In 2000-2001, the average estimated time served for an offender convicted of a Class F felony was a minimum of 18 months and a maximum of 22 months.

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Because SB 226 provides for two new felony offenses, AOC is unable to estimate the number of new felony charges. Because the Division of Child Development does not have data on how often medications are administered without prior authorization nor is able to estimate the number of serious injuries that may result, AOC is unable to estimate the number of charges that could arise from the amended statute. For Class H felony offenses that are brought to trial, the estimated court cost per trial is $4,986. For Class H felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $248. For Class F felony offenses that are brought to trial, the estimate court cost per trial is $6,629. For Class F Felony offenses that are not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $320.

SOURCES OF DATA: NC Sentencing Commission and Administrative Office of the Courts.

TECHNICAL CONSIDERATIONS: None.

SENATE BILL 226: Unauthorized Administration of Medication by Child Care Facilities

BILL ANALYSIS

Committee: House Appropriations
Date: July 15, 2003
Version: S226-CSRQ-44[v.4]

Introduced by: Sen. William Purcell
Summary by: Drupti Chauhan*

The PCS adds language to cover child care facilities operated by public schools and nonpublic schools.

SUMMARY: ***This bill would make the administration of prescription or over-the counter medication to a child attending a licensed or an unlicensed child care facility without written authorization. A violation of the statute that results in serious injury to the child shall be punished as a Class F felony and any other violation of the section is punishable as a Class H felony. The bill provides an exception for circumstances in which an emergency medical condition presents itself and the child's parent is unavailable. In this situation, medication may be lawfully administered without the parent's written authorization if the medication is administered with the authorization of a bona fide medical care provider and in accordance with the provider's instructions. The bill is effective December 1, 2003 and applies to offenses committed on or after that date.***

CURRENT LAW: G.S. 110-91(9) directs the NC Child Care Commission to adopt rules to establish minimum requirements for record keeping for child care facilities. The scope of this authority includes records regarding authorization to administer medications. Rules adopted by the Commission in 1986, and amended in 1996, 1998, and 2001 include, among other things, the following with respect to the administration of medications in child care facilities:

- No drug or medication may be administered to any child in a licensed child care facility without specific written instructions from the child's parent or guardian.
- No drug or medication may be administered for a non-medical purpose, including inducing sleep.
- Prescribed medication may be administered only with parent's written authorization and the medication must be in its original container with proper labeling, including directions for dosage, or the parent must provide written instructions that must be signed and dated by the prescribing physician or health professional.
- Over-the-counter medication may be administered only with the parent's written authorization and only in accordance with written dosage instructions of the parent, physician or other authorized health professional.
- A parent may provide written authorization that is valid for up to six months to authorize the administration of medication to treat the symptoms of asthma and allergic reactions, and up to one year to administer sunscreen and over-the-counter diapering creams. The authorization must be specific as to the symptoms or conditions for which the medication may be administered.
- A parent may provide written authorization for the administration of a one-time, weight appropriate dose of acetaminophen in the event the child has a fever and the parent cannot be reached.

Enforcement Authority:

Administrative penalties: G.S. 110-102.2 authorizes the Secretary of DHHS to impose one or more of the following against a licensee:

- Issue a written warning and a request for compliance;
- Issue an official reprimand;
- Place a licensee on probation;
- Suspend the license for a period not to exceed one year; and
- Permanently revoke the license.

Civil penalties: G.S. 110-103.1 authorizes the Secretary to impose a civil penalty, not to exceed $1,000 for each violation documented on any given date, against an operator of a child care facility who violates NC law governing child care facilities. In determining the amount of the penalty, the Secretary must consider the threat of or extent of harm to children and the consistency of violations.

BILL ANALYSIS:

- Makes the administration of medication to a child attending a licensed or an unlicensed child care facility without written authorization from the child's parent or guardian unlawful.
- An employee, owner, household member, volunteer or operator who violates the statute would be face a Class H felony.
- Provides for an enhanced penalty (Class F felony) for violations resulting in serious injury to a child.
- Provides an exception for emergency medical conditions when the child's parent is unavailable. The medication must be administered with the authorization of a bona fide medical care provider and in accordance with the provider's instructions.

Class H felony: Punishable by an absolute minimum of 4 months Community Service Punishment and an absolute maximum of 30 months Active Punishment, depending on prior convictions and aggravating factors.

Class F felony: Punishable by an absolute minimum of 10 months Intermediate Punishment (e.g. supervised probation) or Active Punishment to an absolute maximum of 59 months of Active Punishment, depending on prior convictions and aggravating factors.

BACKGROUND:

Senate Bill 226 is a recommendation of the NC Child Fatality Task Force. The Task Force was inspired to recommend the bill after hearing the story of Kaitlyn Shevlin, a 5-month-old who died in an unlicensed day-care home in Alamance County in 2001. According to Mr. Rob Johnson, District Attorney for Alamance County, although medical examiners could not find a definitive cause of death and as a result ruled that the child died from Sudden Infant Death Syndrome, law enforcement investigators suspect her day-care provider gave the child a generic form of the medicine Benadryl to make her sleepy. The day care provider was unlicensed and had numerous complaints of child neglect filed against her in the 20 years she operated her unlicensed facility. She was convicted of misdemeanor charges of child abuse and neglect served four months in prison.

Relevant Definitions (cut and pasted from G.S. 110-86):

- **Child care**. - A program or arrangement where three or more children less than 13 years old, who do not reside where the care is provided, receive care on a regular basis of at least once per week for more than four hours but less than 24 hours per day from persons other than their guardians or full-time custodians, or from persons not related to them by birth, marriage, or adoption.

- **Child care facility**. - Includes child care centers, family child care homes, and any other child care arrangement not excluded by G.S. 110-86(2), that provides child care, regardless of the time of day, wherever operated, and whether or not operated for profit.

a. **A child care center** is an arrangement where, at any one time, there are three or more preschool-age children or nine or more school-age children receiving child care.

b. **A family child care home** is a child care arrangement located in a residence where, at any one time, more than two children, but less than nine children, receive child care.

- **Child care does not include the following**:

a. Arrangements operated in the home of any child receiving care if all of the children in care are related to each other and no more than two additional children are in care;

b. Recreational programs operated for less than four consecutive months in a year;

c. Specialized activities or instruction such as athletics, dance, art, music lessons, horseback riding, gymnastics, or organized clubs for children, such as Boy Scouts, Girl Scouts, 4-H groups, or boys and girls clubs;

d. Drop-in or short-term care provided while parents participate in activities that are not employment related and where the parents are on the premises or otherwise easily accessible, such as drop-in or short-term care provided in health spas, bowling alleys, shopping malls, resort hotels, or churches;

e. Public schools;

f. Nonpublic schools described in Part 2 of Article 39 of Chapter 115C of the General Statutes that are accredited by the Southern Association of Colleges and Schools and that operate a child care facility as defined in subdivision (3) of this section for less than six and one-half hours per day either on or off the school site;

g. Bible schools conducted during vacation periods;

h. Care provided by facilities licensed under Article 2 of Chapter 122C of the General Statutes;

i. Cooperative arrangements among parents to provide care for their own children as a convenience rather than for employment; and

j. Any child care program or arrangement consisting of two or more separate components, each of which operates for four hours or less per day with different children attending each component.

- "**Household member**" to mean: "member of the household in a family child care home or nonlicensed child care home and is over 15 years old and is present when children are in care." (G.S. 110-90.2)
- "**Volunteer**" to mean "a person who works in a child care facility and is not monetarily compensated by the facility" (NCAC 10-3U.0102).

*Linda Attarian, former Research Attorney, contributed significantly to this bill

5

Rep Gorman from Stan

other separate roadway, under its jurisdiction for one-way traffic and shall erect appropriate signs giving notice thereof, it shall be unlawful for any person to willfully drive or operate any vehicle on said highway or roadway except in the direction so indicated by said signs.

N.C. Gen. Stat. § 20-165.1. Defendant argues that although Officer Atherton testified he stopped defendant based upon defendant's driving the wrong way on a one-way street, Officer Atherton did not have probable cause to believe defendant did so "willfully."

The trial court found that "Officer Atherton had probable cause to stop the defendant for the commission of a traffic violation in the officer's presence, a violation of G.S. 20-165.1." Although the trial court's findings of fact are generally deemed conclusive where supported by competent evidence, "a trial court's conclusions of law regarding whether the officer had reasonable suspicion [or probable cause] to detain a defendant is reviewable *de novo*." *State v. Kincaid*, 147 N.C. App. 94, 97, 555 S.E.2d 294, 297 (2001).

We emphasize that in examining the legality of the stop at issue, Officer Atherton's subjective reasoning is irrelevant, and the proper inquiry is whether the objective facts support a finding that probable cause existed to stop defendant. *See State v. McClendon*, 350 N.C. 630, 636, 517 S.E.2d 128, 132 (1999) (officer's subjective motive for traffic stop immaterial; issue is whether objective evidence presented at suppression hearing supports finding that stop was legal); *State v. Peck*, 305 N.C. 734, 741, 291 S.E.2d 637, 641 (1982) ("'[t]he scope of the Fourth Amendment is not determined by the subjective conclusion of the law enforcement officer'" (citation omitted)).

"'Willful' as used in criminal statutes means the wrongful doing of an act without justification or excuse, or the commission of an act purposely and deliberately in violation of the law." *State v. Davis*, 86 N.C. App. 25, 30, 356 S.E.2d 607, 610 (1987) (citing *State v. Arnold*, 264 N.C. 348, 141 S.E.2d 473 (1965)). "'Willfulness' is a state of mind which is seldom capable of direct proof, but which must be inferred from the circumstances of the particular case." *Id.* (citation omitted).

We agree with the trial court that the objective evidence regarding the existence of probable cause to stop defendant for a violation of N.C. Gen. Stat. § 20-165.1. Although the evidence in the present case could suggest defendant did not realize he had turned the wrong way

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____

S. B. No. 226

COMMITTEE SUBSTITUTE _____

DATE 7/17/03

Amendment No. _____
(to be filled in by Principal Clerk)

(Rep.) Michaux
Sen.)

moves to amend the bill on page 2, line 11

( ) WHICH CHANGES THE TITLE

by deleting the phrase "Class 1t felony" and substituting the phrase "Class A1 misdemeanor".

SIGNED _____

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

#6

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____ DATE 7/17/05

S. B. No. 226 Amendment No. _____

(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

(Rep.) Sen.) Nesbitt

moves to amend the bill on page 1, line 13

( ) WHICH CHANGES THE TITLE

by inserting immediately after the word "willfully" the phrase "and maliciously".

and further moves to amend the bill on page 2, line 10, by inserting the phrase "and maliciously" at the end of that line.

SIGNED Martin Nesbitt

Withdrew

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

House APPROPRIATIONS Subcommittee on Senate Bill 226

MEETING

The House APPROPRIATIONS Subcommittee on Senate Bill 226 met on Monday, July 14, 2003, at 5:00 PM in Speaker Richard Morgan's Conference Room. Members of the subcommittee were Representative Robert Grady, Chair, Representatives Goodwin, Gorman, Justice and Sutton. All five members were present.

The Subcommittee discussed Senate Bill 226-A BILL TO BE ENTITLED AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FRO THE CHILD'S PARENT OR GUARDIAN.

Members of the Subcommittee unanimously agreed to a proposed amendment to Senate Bill 226 on line 11 by adding public and non-public schools and on line 12 by including without justification following the words "willfully administer" and also, on line 6, page 2, by adding without justification following the word "violation."

Representative Grady, Chair, requested staff attorney, Drupti Chauhan, to make recommended changes for a permanent committee substitute to be presented back to the Subcommittee on Tuesday, July 15, 2003.

Representative Grady adjourned the Subcommittee meeting at 6:00 pm to meet again on Tuesday, July 15, 2003, 9:30 AM in Speaker Morgan's Conference Room.

Respectfully Submitted by

Representative Grady
Subcommittee Chair

Peggy B. Murray
Legislative Assistant

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on SB 226 — July 14, 2003 - 5:00PM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Barry Smith	Freedom Newspapers
Rob Lamm	HHS
Regina Ball	DHHS-DCD
Sheila McInnes	DHHS
Richard & Barbara Sheelin	Parents of Kaitlyn Sheelin
Paul Stam	NC House
Jonathan Dyer	SBE
Roz Sawicki	NCCCC
Steve Lynch	Investigator DA's Office - Alamance Co
Anand Ramaswamy	ASSISTANT D.A. ALAMANCE COUNTY
Leanne Winner	NCSA

Questions & Answers About Kaitlyn's Law (S226/H109)

Prepared by Anand P. Ramaswamy, Assistant District Attorney, Prosecutorial District 15A, Alamance County,
Robert F. Johnson, District Attorney.

This information is intended to answer some of the questions that have arisen since the introduction of Kaitlyn's Law in 2003. Please call or email at 336-438-1017, Anand.P.Ramaswamy@nccourts.org , if you have any other questions.

QUESTION: Is there a need for this law?

ANSWER:

- Our aim in proposing this law is the **prevention,** through deterrence of any other death or injury related to unauthorized administration of medicine.
- Kaitlyn Shevlin's death in a daycare is one of **three deaths** in the past three years that we know involved administration of medicine (diphenhydramine) unauthorized by any of the parents. The other two deaths happened in Florida and Ohio; all were baby girls.
- We may never know how many infant deaths in involve unauthorized administration of medicine, partly because **currently no toxicology tests are routinely done in infant deaths in NC**, other than for alcohol.

QUESTION: Are the penalties as proposed in Kaitlyn's Law appropriate? (Class F felony if serious injury occurs; Class H felony for the administration of medicine without proper authorization, even if there is no injury)

ANSWER:

This law is in proportion to existing similar laws in NC.

- **Patient abuse & neglect** (G.S. 14-32.2) creates a Class F felony for willful or culpably negligent causation of serious bodily injury to a patient in a certain care facilities. (Note: higher felony classifications exist in this law for death, and there is an A1 misdemeanor for bodily injury due to a willful or negligent pattern of conduct; this misdemeanor provision is not found under common law assault definitions, but was created in this Patient abuse & neglect statute).
- **Distribution of certain food at Halloween and all other times** (G.S. 14-401.11) carries either a Class F or Class H punishment, depending on the potential effect and type of the substance placed in the food.
- **Contaminating food or drink to render one mentally incapacitated or physically helpless** (G.S. 14-401.16) is itself a Class H felony; punishment can higher based on intent.

- The potential penalty is actually *less* than that for Felony Child Abuse - Serious Injury, G.S. 14-318.4; however, that offense requires an intent to injure a child.
- Unauthorized administration of medicine is currently an A1 misdemeanor, based on common law theories of assault and the Assault on a Child Under 12 statute, G.S. 14-33(c)3; for lawmakers to make unauthorized administration of medicine a statutory misdemeanor is pointless - *it already is a misdemeanor.*

- The unauthorized administration of medicine, without any injury, **needs** to be a Class H felony because:
  - **Making this a Class I felony is a step backwards**. As a Class I offense, the misdemeanor assault route offers greater potential punishment to first-time offenders. No active time could be given for a first-offense Class I with no prior record for felony purposes, but a defendant with a clean record could receive 60 days on a first conviction of an A1 misdemeanor.
  - The Class H felony better serves the goal of **deterrence** by offering a potential for active time on a first offense. There is but a one-month difference in the potential punishment for Class H and Class I felonies in the presumptive range. However, the Class H felony offers the potential for (*but does not mandate*) an active jail or prison sentence. The aim of this law is deterrence, and a person with no felony prior record level points has little to fear from a Class I felony conviction.
  - A law designed to promote the safety of children ought to be at least as meaningful as the laws banning the theft of pine straw or ginseng, both Class H felonies.

QUESTION: Would Kaitlyn's Law prevent or deter a child care provider from responding to an emergency?

ANSWER:

- It should not. The law provides for actions is emergency situations, and in real emergencies, parents and first responders ought to be contacted anyway.
- Honest and scrupulous child care providers should not worry about criminal liability from this bill.

QUESTION: Would Kaitlyn's Law prevent or deter a child care provider from applying sun-block to a child, or treating a bee sting?

ANSWER

- Existing administrative regulations for child care workers already cover these situations. Treatment by any means authorized by a parent does not violate Kaitlyn's Law.
- Over-the-counter drugs and other items such as sun-block have manufacturer's warnings about seeking a physician's advice before using on infants or on older children. Even items intended for use with infants bear warnings about such use. Drugs affect infants and children differently than they do adults, and the effects of many substances on infants and children are not fully known; *no one volunteers his or her children for drug safety studies.*

QUESTION: Why are day care facilities in public schools exempt from Kaitlyn's Law? Is this difference fair?

ANSWER:

- This exemption has existed for years; the difference in potential criminal liability has existed since the enactment of our state's child care regulations in the 1970's.
- There are ten categories of exemptions from the child care regulations. These include public schools, Boy Scouts, Girl Scouts, 4-H groups, some non-public schools, vacation Bible school, and on-premises drop-in care provided at malls, hotels, gyms and bowling alleys.
- Kaitlyn's Law is no different than the existing penalty statutes regarding child care in that it relies on the definitions of child care as outlined in G.S. 110-86(2). Where Kaitlyn's Law does differ is in its applicability to unlicensed *illegal* day cares - exactly the type of day care in which Kaitlyn Shevlin died.
- Should the definitions of child care in G.S. 110-86(2) ever change, then all existing day care regulations and Kaitlyn's Law would be altered as well.

House APPROPRIATIONS Subcommittee on Senate Bill 226

MEETING

The House APPROPRIATIONS Subcommittee on Senate Bill 226 met on Tuesday, July 15 2003, at 9:30 AM in Speaker Richard Morgan's Conference Room. All five members were present. Representative Robert Grady, Chair, presided. Representatives Goodwin, Gorman, Justice and Sutton were present.

The committee continued a discussion of Senate Bill 226-A BILL TO BE ENTITLED AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FRO THE CHILD'S PARENT OR GUARDIAN.

A permanent committee substitute requested by the committee was approved and recommended back to the APPROPRIATIONS Committee

The Subcommittee meeting was adjourned at 10:00 am.

Respectfully Submitted by

Robert Grady

Representative Grady
Subcommittee Chair

Peggy B. Murray

Peggy B. Murray
Legislative Assistant

VISITOR REGISTRATION SHEET

APPROPRIATIONS Subcommittee on SB 226 — July 15, 2003 - 9:30AM

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Staila McKenney	NHS
Reggie Ball	DCD - DHHS
Roz Smith	NC Child Care Coalition
ANAND RAMASWAMY	ASST. D.A. ALAMANCE CO. D.A.'S OFFICE
Katherine Joyce	NCASA
Joanne Stevens	School nurses
Sue-Ann Coe	Classroom Teachers Assoc

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 5

SENATE BILL 226

Health and Human Resources Committee Substitute Adopted 3/5/03
Judiciary II Committee Substitute Adopted 4/8/03
Fourth Edition Engrossed 4/10/03
House Committee Substitute Favorable 6/17/03

Short Title: Unauthorized Admin. Meds. by Child Care Fac. (Public)

Sponsors:

Referred to:

February 26, 2003

A BILL TO BE ENTITLED

AN ACT TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN.

The General Assembly of North Carolina enacts:

SECTION 1. This act shall be known as "Kaitlyn's Law".

SECTION 2. Article 7 of Chapter 110 of the General Statutes is amended by adding a new section to read:

"**§ 110-102.1A. Unauthorized administration of medication.**

(a) It is unlawful for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility as defined in G.S. 110-86, to willfully administer, without written authorization, prescription or over-the-counter medication to a child attending the child care facility. For the purposes of this section, written authorization shall include the child's name, date or dates for which the authorization is applicable, dosage instructions, and signature of the child's parent or guardian.

(b) In the event of an emergency medical condition and the child's parent or guardian is unavailable, it shall not be unlawful to administer medication to a child attending the child care facility without written authorization as required under subsection (a) of this section if the medication is administered with the authorization and in accordance with instructions from a bona fide medical care provider. For purposes of this subsection, the following definitions apply:

(1) A bona fide medical care provider means an individual who is licensed, certified, or otherwise authorized to prescribe the medication.

(2) An emergency medical condition means circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed.

(c) A violation of this section that results in serious injury to the child shall be punished as a Class F felony.

(d) Any other violation of this section shall be punished as a Class H felony."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

February 26, 2003

S 226. UNAUTHORIZED ADMIN. MEDS. BY CHILD CARE FAC. *TO PROHIBIT THE ADMINISTRATION OF MEDICATION TO A CHILD IN A LICENSED OR UNLICENSED CHILD CARE FACILITY WITHOUT PROPER AUTHORIZATION FROM THE CHILD'S PARENT OR GUARDIAN OR A BONA FIDE MEDICAL CARE PROVIDER.* Adds new GS 110-102.1A to make it a Class H felony for an employee, owner, or operator of a licensed or unlicensed child care facility to administer any type of medication to a child attending the facility without first obtaining written or oral authorization from the child's parent, guardian, or bona fide medical provider. "Bona fide medical provider" means medical doctor, physician's assistant, registered nurse, licensed practical nurse, emergency medical technician, and paramedic. Effective Dec. 1, 2003.
Intro. by Purcell, Gulley.

Ref. to Health and Human Resources	GS 110

March 5, 2003

S 226. UNAUTHORIZED ADMIN. MEDS. BY CHILD CARE FAC. Intro. 2/26/03. Senate committee substitute makes the following changes to 1st edition. Rewrites bill to make it unlawful for an employee, owner, household member, volunteer, or operator of a child care facility to administer prescription or over-the-counter medications to a child attending the facility without written authorization from the child's parent or guardian in accordance with rules of the NC Child Care Comm'n. Provides that in a medical emergency, when the child's parent or guardian is not available, it is not unlawful to administer medication to a child in a child care facility without written authorization if the medication is administered with the authorization and in accordance with instructions from a bona fide medical care provider. Makes violation that results in serious injury to the child a Class F felony; any other violation is a Class H felony. Effective Dec. 1, 2003, and applies to offenses committed on or after that date.

April 8, 2003

S 226. UNAUTHORIZED ADMIN. MEDS. BY CHILD CARE FAC. Intro. 2/26/03. Senate committee substitute makes the following changes to 2nd edition. Amends GS 110-102.1A(a) to provide that it is unlawful to intentionally administer unauthorized medications and to require that written authorization to administer medications include the child's name, dosage instructions, and signature of the child's parent or guardian. Adds new GS 110-102.1A(b) to allow the administration of medication without written authorization upon oral approval of the child's parent or guardian if parent signs a written authorization on the same day. Makes conforming changes.

April 10, 2003

S 226. UNAUTHORIZED ADMIN. MEDS. BY CHILD CARE FAC. Intro. 2/26/03. Senate amendment makes the following changes to 1st edition. Deletes bill's provision permitting the administration of medication on a particular day if (a) the child arrives at the child care facility with prescription or over-the-counter medication but without written authorization, (b) oral authorization is obtained from the parent or guardian before administering the medication, and (c) the parent or guardian signs an authorization when the child is picked up. Makes additional clarifying change.

June 17, 2003

S 226. UNAUTHORIZED ADMIN. MEDS. BY CHILD CARE FAC. Intro. 2/26/03. House committee substitute makes the following changes to 4th edition. Makes it unlawful to willfully administer (was, intentionally administer) unauthorized medications in child care facility.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: SB 226 5th Edition **(Corrected Version)**

SHORT TITLE: Unauthorized Admin. Meds. By Child Care Fac.

SPONSOR(S): Senator Purcell

FISCAL IMPACT

Yes (X) No ( ) No Estimate Available ( )

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring		**Unable to determine exact amount.**			
Nonrecurring					
Judicial					
Recurring		**Unable to determine exact amount.**			
Nonrecurring					
TOTAL EXPENDITURES:		**Unable to determine exact amount.**			
ADDITIONAL PRISON BEDS*		**Unable to determine exact number of beds.**			
POSITIONS: (cumulative)		**Unable to determine exact amount.**			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: SB 226 amends Chapter 110 of the General Statutes by adding a new section making it a Class H felony for an employee, owner, household member, volunteer, or operator of a licensed or unlicensed child care facility to willfully administer any type of prescription or over-the-counter medication to a child attending the child care facility without first obtaining prior written authorization from the child's parent or guardian, except when the unauthorized administration of medicines results in a serous injury to the child which is punishable by a Class F felony. Written authorization is defined to include the child's name, date, dosage instructions, and signature of the child's parent or guardian.

In addition, the bill provides an exception for emergency medical conditions when the child's parent or guardian is unavailable. It is not unlawful to administer medication to a child for emergency medical conditions without written authorization from his or her parent if the medication is administered with the authorization and in accordance with instructions from a "bona fide medical provider". Emergency medical condition is defined as circumstances where a prudent layperson acting reasonably would have believed that an emergency medical condition existed. A "bona fide medical provider" is defined to include any person who is licensed, certified, or otherwise authorized to prescribe medicine.

ASSUMPTIONS AND METHODOLOGY:

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because SB 226 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced for this proposed offense. If there were three Class H felony convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and two additional prison beds the second year. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Furthermore, because it is not known how many of these offenses would result in serious injury, it is not known how many offenders might be sentenced for violations of a Class F felony. If, for example, there were three convictions of the Class F subsection under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year. In 2000-2001, the average estimated time served for an offender convicted of a Class F felony was a minimum of 18 months and a maximum of 22 months.

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Because SB 226 provides for two new felony offenses, AOC is unable to estimate the number of new felony charges. Because the Division of Child Development does not have data on how often medications are administered without prior authorization[1] nor is able to estimate the number of serious injuries that may result, AOC is unable to estimate the number of charges that could arise from the amended statute. For Class H felony offenses that are brought to trial, the estimated court cost per trial is $4,986. For Class H felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $248. For Class F felony offenses that are brought to trial, the estimate court cost per trial is $6,629. For Class F Felony offenses that are not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $320.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Douglas R. Holbrook

Douglas R. Holbrook

APPROVED BY: James D. Johnson, Director Fiscal Research Division

James D. Johnson

DATE: June 9, 2003

1 Administrative Office of the Courts Research and Planning Division.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 732

Committee Substitute Favorable 4/15/03

Short Title: Street Gang Terrorism Prevention Act. (Public)

Sponsors:

Referred to:

March 27, 2003

A BILL TO BE ENTITLED

AN ACT TO ENACT THE NORTH CAROLINA STREET GANG TERRORISM AND PREVENTION ACT OF 2003.

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 14 of the General Statutes is amended by adding a new Article to read:

"Article 13A.

"North Carolina Street Gang and Terrorism Prevention Act.

"**§ 14-50.15. Short title.**

This Article shall be known and may be cited as the "North Carolina Street Gang Terrorism and Prevention Act".

"**§ 14-50.16. Legislative findings and intent.**

(a) The General Assembly finds and declares that it is the right of every person to be secure and protected from fear, intimidation, and physical harm caused by the activities of violent groups and individuals. It is not the intent of this Article to interfere with the exercise of the constitutionally protected rights of freedom of expression and association. The General Assembly recognizes the constitutional right of every citizen to harbor and express beliefs on any lawful subject whatsoever, to associate lawfully with others who share similar beliefs, to petition lawfully constituted authority for a redress of perceived grievances, and to participate in the electoral process.

(b) The General Assembly, however, further finds that the State of North Carolina is in a state of crisis that has been caused by violent street gangs whose members threaten, terrorize, and commit a multitude of crimes against the peaceful citizens of their neighborhoods. These activities, both individually and collectively, present a clear and present danger to public order and safety and are not constitutionally protected.

(c) The General Assembly finds that there are criminal street gangs operating in North Carolina and that the number of gang-related murders is increasing. It is the intent of the General Assembly in enacting this Article to seek the eradication of criminal

activity by street gangs by focusing upon patterns of criminal gang activity and upon the organized nature of street gangs which together are the chief source of terror created by street gangs.

(d) The General Assembly further finds that an effective means of punishing and deterring the criminal activities of street gangs is through forfeiture of the profits, proceeds, and instrumentalities acquired, accumulated, or used by street gangs.

"**§ 14-50.17. Definitions.**

The following definitions apply in this Article:

(1) "Criminal street gang" means any organization, association, or group of three or more persons associated in fact, whether formal or informal, which engages in a pattern of criminal gang activity as defined in subdivision (2) of this section. The existence of the organization, association, or group of individuals associated in fact may be established by evidence of a common name or common identifying signs, symbols, tattoos, graffiti, or attire or other distinguishing characteristics.

(2) "Pattern of criminal gang activity" means the commission, attempted commission, conspiracy to commit, or solicitation, coercion, or intimidation of another person to commit at least two of the following offenses, provided that at least one of these offenses occurred after December 1, 2003, and the last of the offenses occurred within three years, excluding any periods of imprisonment, of prior criminal gang activity:

a. Any offense under G.S. 75D-3.

b. Any offense under G.S. 14-277.3 (Stalking).

c. Any offense under Article 7A of Chapter 14 of the General Statutes (Rape or Other Sex Offenses).

d. Any offense under G.S. 14-239 (Allowing prisoners to escape; punishment), G.S. 148-45 (Escaping or attempting escape from State prison system; failure of conditionally and temporarily released prisoners and certain youthful offenders to return to custody of Department of Correction), or Article 33 of Chapter 14 of the General Statutes (Prison Breach and Prisoners).

e. Any offense under Article 35 (Offenses Against the Public Peace), 52A (Sale of Weapons in Certain Counties), 54A (The Felony Firearms Act), or 54B (Concealed Handgun Permit) of Chapter 14 of the General Statutes.

f. Any offense under G.S. 14-316.1 (Contributing to delinquency and neglect by parents and others).

"**§ 14-50.18. Participation in criminal street gang activity prohibited.**

(a) It is unlawful for any person employed by or associated with a criminal street gang to conduct or participate in the criminal street gang through a pattern of criminal gang activity.

(b) It is unlawful for any person to acquire or maintain, directly or indirectly, through a pattern of criminal gang activity or proceeds derived therefrom any interest in or control of any real or personal property of any nature, including money.

(c) It is unlawful for any person who occupies a position of organizer, supervisory position, or any other position of management with regard to a criminal street gang to engage in, directly or indirectly, or conspire to engage in a pattern of criminal gang activity.

(d) It is unlawful for any person to cause, encourage, solicit, or coerce another to participate in a criminal street gang.

(e) It is unlawful for any person to communicate, directly or indirectly, with another any threat of injury or damage to the person or property of the other person or to any associate or relative of the other person with the intent to deter the person from assisting a member or associate of a criminal street gang to withdraw from such criminal street gang.

(f) It is unlawful for any person to communicate, directly or indirectly, with another any threat of injury or damage to the person or property of the other person or to any associate or relative of the other person with the intent to punish or retaliate against the person for having withdrawn from a criminal street gang.

(g) Any person who violates this section shall be punished as follows:

(1) A person who violates subsection (a) or (b) of this section shall, in addition to any other penalty imposed by law, be punished as a Class E felon.

(2) A person who violates subsection (a), (b), (d), (e), or (f) of this section may, if the person also violates subsection (c) of this section in the same course of conduct, in addition to any other penalty provided by law, be punished by imprisonment for an additional 10 years which shall be served consecutively to any other sentence imposed on the person by law.

(3) A person who violates subsection (d), (e), or (f) of this section shall, in addition to any other penalty provided by law, be punished as a Class G felon.

(h) Any crime committed in violation of this section shall be considered a separate offense.

"**§ 14-50.19. Contraband, seizure, and forfeiture.**

(a) All of the following are declared to be contraband, and no person shall have a property interest in them:

(1) All property that is directly or indirectly used or intended for use in any manner to facilitate a violation of this Article.

(2) Any property constituting or derived from gross profits or other proceeds obtained from a violation of this Article.

(b) In any action under this section, the court may enter a restraining order in connection with any interest that is subject to forfeiture.

(c) Within 60 days of the date of the seizure of contraband pursuant to this section, the district attorney or the Attorney General shall initiate a forfeiture proceeding as provided in G.S. 14-2.3.

"**§ 14-50.20. Local ordinances not preempted by State law.**

Nothing in this Article shall prevent a local governing body from adopting and enforcing ordinances relating to gangs and gang violence that are consistent with this Article. Where local laws duplicate or supplement the provisions of this Article, this Article shall be construed as providing alternative remedies and not as preempting the field.

"**§ 14-50.21. Real property used by criminal street gangs declared a public nuisance; abatement; persons injured by gangs entitled to treble damages.**

Any real property that is erected, established, maintained, owned, leased, or used by any criminal street gang for the purpose of conducting criminal gang activity shall constitute a public nuisance and may be abated as provided by Article 1 of Chapter 19 of the General Statutes. If the property is owned by a person who is not a member of the criminal street gang, this section shall apply only if the person has knowledge of the criminal gang activity.

"**§ 14-50.22. Matters proved in criminal trial court.**

A conviction of an offense defined as criminal gang activity shall stop the defendant in any subsequent civil action or proceeding as to matters proved in the criminal proceeding."

SECTION 2. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: HB 732 2nd Edition

SHORT TITLE: Street Gang Terrorism Prevention Act

SPONSOR(S): Representative Michaux

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction (Recurring)[1]		*At least* $1,792,794	*At least* $3,077,640		
Judicial	Unable to determine exact amount; impact could be significant.				
Juvenile Justice	Unable to determine exact amount; impact could be significant.				
TOTAL EXPENDITURES:	Unable to determine exact amount; impact could be significant.				

ADDITIONAL PRISON BEDS**

The Sentencing Commission estimates that this specific legislation will add at least 72 inmates in 2004-2005 and at least 160 inmates by 2005-2006 to the prison system, excluding youth offenders who might be committed to youth development centers and detention centers.[1]

POSITIONS: (cumulative)

It is anticipated that at least 64 positions would be needed to supervise the additional inmates housed under this bill by 2007-08, excluding positions that might be needed in youth development and detention centers.[1]

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch; Department of Juvenile Justice and Delinquency Prevention

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

[1] **This estimate represents only 1% of the potentially eligible felony and misdemeanor convictions that may occur as a result of this bill *and the actual amount could be much higher.*** Please see pages 5-8 for more information.

BILL SUMMARY:[2] This bill creates a new Article 13A entitled "North Carolina Street Gang Terrorism Prevention Act." New G.S. 14-50.18 creates five new felonies, one of which has the effect of increasing the penalty for communicating threats relating to certain gang activity from a Class 1 misdemeanor to a Class G felony. The bill makes it a Class E felony for any person associated with a criminal street gang to engage in a pattern of criminal gang activity, or for any person to acquire or maintain an interest in property (including money) through a pattern of criminal gang activity. The bill makes it a Class G felony for any person to cause, encourage, solicit, or coerce another to participate in a criminal street gang, or to communicate a threat to another (or his associate or relative) to deter him from assisting a gang member to withdraw from a gang or to punish or retaliate against him for having withdrawn from a gang. Furthermore, the bills make it unlawful for a gang leader to engage in, directly or indirectly, or conspire to engage in a pattern of criminal gang activity. This offense is punishable by imprisonment for an additional 10 years, to be served consecutively with any other sentence imposed. This bill does not specify a felony class under Structured Sentencing for this offense.

The bill provides several definitions that apply in this article. New G.S. 14-50.17 defines "criminal street gang" as any organization, association, or group of three or more persons associated in fact which engages in a pattern of criminal activity. The existence of such organization may be established by evidence of a common name or common identifying signs, symbols, tattoos, graffiti, attire, or other distinguishing characteristics. The bill defines "pattern of criminal gang activity" as the commission, attempted commission, conspiracy to commit, or solicitation, coercion, or intimidation of another to commit at least two of the offenses specified in new G.S. 14-50.17(2), provided that at least one of the offenses occurred after July 1, 2003, and the last offense occurred within three years of "prior criminal gang activity" (excluding any periods of imprisonment).

The bill also establishes new G.S. 14-50.19(a) which defines the following property as contraband: (1) all property that is directly or indirectly used in any manner to facilitate violation of this Article; and (2) any property constituting or derived from proceeds obtained from a violation of this Article. New subsection (b) provides that a court may enter a restraining order or take other appropriate action, including acceptance of performance bonds, in connection with any interest that is subject to forfeiture. New subsection (c) directs the district attorney or Attorney General to initiate a forfeiture proceeding as provided in G.S. 14-2.3 within 60 days of the date of the seizure of contraband.

Finally, the bill creates new G.S. 14-50.21, which provides that any real property that is erected, established, maintained, owned, leased, or used by any criminal street gang for the purpose of conducting criminal gang activity shall constitute a public nuisance and may be abated as provided by Article 1 of Chapter 19 of the General Statutes.

[2] Administrative Office of the Courts Research and Planning Division

ASSUMPTIONS AND METHODOLOGY:

A survey of criminal justice professionals administered by the Governor's Crime Commission in 1999 revealed that there were 332 gangs present in North Carolina, with an estimated 5,143 members.[3] No data is available from which to estimate the incidence of crime among gangs, particularly with the respect to the offenses listed in new G.S. 14-50.17(2).[4]

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Definition of Criminal Street Gang

The AOC notes that the number of offenses listed in the definition of criminal gang activity include offenses that are relatively high-volume, such as weapons offenses, stalking, sex offenses, and offenses against the public peace. AOC states that this bill could significantly enhance the punishment for defendants involved in gang activity.

Forfeiture of Contraband

To the extent that such contraband is currently processed pursuant to G.S. 14-2.3, the AOC does not expect a significant increase in the number forfeiture proceedings as a result of this provision. However, AOC notes that the bill creates broad categories of "contraband." AOC is unable to estimate the number of forfeiture proceedings that may result from this bill.

Nuisance Actions

AOC anticipates that to the extent that property used for conducting gang activity already constitutes a public nuisance under G.S. 19-1 (under current G.S.19-1, "nuisances" are defined to include the erection, establishment, use, ownership or leasing of any building or place for the purpose of illegal possession or sale of alcoholic beverages or controlled substances, or wherein are carried on repeated acts which create a breach of the peace). Thus the AOC does not anticipate a significant number in civil actions for abatement as a result of the bill's new provision. However, AOC notes that this bill seems to significantly broaden the scope of properties that could be actionable as nuisance and such actions could involve significant "innocent" property owners and thus be complex and time consuming. AOC has no data from which to estimate the number of civil actions that may result from the new nuisance provision.

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[3] Administrative Office of the Courts Research and Planning Division and North Carolina Governor's Crime Commission report on gang activity in North Carolina. Perceptions of Youth Crime and Youth Gangs: A Statewide Systemic Investigation. April 2000. Available: http://www.gcc.state.nc.us/gangstudy.htm

[4] AOC Research and Planning Division

Communicating a Threat

The AOC is unable to estimate the number of new or enhanced charges for the new felonies created by the bill. Under current G.S. 14-277.1, communicating a threat is punishable as a Class 1 misdemeanor. AOC data indicate that during calendar year 2002, 23,968 defendants were charged with communicating a threat. It is not reasonable to suggest that a large number of these defendants, or even a moderate number of these defendants, were members of a gang. It is not possible to determine from AOC data the number of charges that involved threats made by a gang member to deter another from assisting a gang member to withdraw from the gang, or to punish or retaliate against another for withdrawing from a gang. If these threats were a result of such behavior, they would be punishable as a Class G felony under this bill.

Other Felonies

The bill makes it a Class E felony for any person employed by or associated with a criminal street gang or to conduct or participate in the criminal street gang thorough a pattern of criminal gang activity. It is also a Class E felony to acquire or maintain, directly or indirectly, proceeds derived from any interest in or control of any real or personal property of any nature, including money. AOC is unable to estimate the number of new defendants that may result from ratification of this bill. For offenses that are brought to trial as Class E felonies, the estimated court cost per trial is $7,188. For Class E felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $341.

The bill makes it a Class G felony for any person to cause, encourage, solicit, or coerce another to participate in a criminal street gang, or to communicate a threat to another (or his associate or relative) to deter him from assisting a gang member to withdraw from a gang or to punish or retaliate against him for having withdrawn from a gang. The AOC is unable to estimate the number of new offenses that may result from ratification of this bill. For offenses that are brought to trial as Class G felonies, the estimated court cost per trial is $6,199. For Class G felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $307.

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Since the proposed bill creates new offenses, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be convicted and sentenced for these proposed offenses. The Sentencing Commission reports that based on current data, it is not possible to determine who would qualify as a member of a "criminal street gang." They do state that it is possible to

determine the potentially eligible felony and misdemeanor convictions based on the proposed definition of "a pattern of criminal gang activity." In FY 2001-2002 there were 925 felony convictions and 5,839 misdemeanor convictions under the statutes included in the proposed definition of "a pattern of criminal gang activity."[5] Of the 925 felony convictions, 763 fell in Prior Record Level II or higher, indicating at least one prior conviction.[6] Four hundred seventy-nine (479 or 63%) of those convictions were for Possession of Firearm by Felon. Of the 5,839 misdemeanor convictions, 3,115 fell in Prior Conviction Level II or higher, indicating at least one prior conviction.[7] One thousand eight hundred sixty-two (1,852 or 60%) of those convictions were for Communicating Threats, 578 (19%) were for Carrying a Concealed Weapon, and 300 (10%) were for Carrying a Concealed Gun.

The Sentencing Commission reports that of the 763 felony convictions in Prior Record Level II or higher, 193 were for Class B1 through E offenses and, therefore, may not result in additional prison impact with regard to the Class E or G offenses in this proposed bill. However, the Sentencing Commission anticipates that additional convictions for the Class E or G offenses could result in substantial impact if consecutive sentencing is applied. The remaining 570 convictions for Class F through I offenses could result in substantial prison impact. Substantial impact may occur if the offender's most serious conviction would be a Class E or G felony as opposed to a less serious felony conviction. The large number of misdemeanor convictions potentially affected by this proposed bill could also result in substantial prison impact. Substantial impact may occur if the offender's most serious conviction would be a Class E or G felony as opposed to a misdemeanor conviction. The additional 10-year sentence (subsection (c)) would result in additional impact for every offense to which it is applied.

The following table demonstrates the prison bed impact if 1% of the potentially eligible felony and misdemeanor convictions are convicted of offenses resulting from this bill.

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[5] The Sentencing and Policy Advisory Commission notes that the proposed definition of "pattern of criminal gang activity" refers to a sequence of "offenses." It is assumed that "offenses" mean "convictions" and the defendant is eligible at the time he or she is convicted of their second offense. This assumption is based on the legal process for habitual felon status under current law. The proposed bill does not set out the legal process for establishing the proposed offenses.

[6] While the AOC database contains information on the number of prior record/conviction points, it does not contain information about the specific offenses that are used to calculate the number of prior record/conviction points or about the timing of prior convictions.

[7] See Footnote 4.

Table 1: Prison Bed Impact if 1% of Eligible Population is Convicted Under Provisions Listed in This Bill

Offense	Felony Charge	Number of Convictions	First Year Prison Bed Impact	Second Year Prison Bed Impact	Note:
G.S. 14-50.18(a) Any person employed or associated with a criminal street gang conducting or participating in the criminal street gang through a pattern of criminal gang activity.	Class E	39	20	48	If there were two Class E convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year.
G.S. 14-50.18(b) Any person who acquires or maintains, directly or indirectly, through a pattern of criminal gang activity or proceeds derived there from any interest in or control of any real or personal property.	Class E	39	20	48	If there were two Class E convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year.
G.S. 14-50.18(c)	Please See Table 2				
G.S. 14-50.18(d) Any person who causes, encourages, solicits, or coerces another to participate in a criminal street gang.	Class G	39	16	32	If there were five Class G convictions under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and four additional prison beds the second year.
G.S. 14-50.18(f) Any person who communicates with another any threat or injury or damage to the person or property of another person... with the intent to deter the person from assisting a member or associate of a criminal street gang to withdraw from a criminal street gang.	Class G	39	16	32	If there were five Class G convictions under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and four additional prison beds the second year.

The Sentencing Commission estimates that this specific legislation will add at least 160 inmates to the prison system by FY 2005-2006. ***This estimate represents only 1% of the potentially eligible felony and misdemeanor convictions that may occur as a result of this bill and the actual amount could be much higher.*** It is anticipated that at least 64 positions would be needed to supervise the additional inmates housed under this bill by 2007-08. These position totals include security, program, and administrative personnel at a ratio of one employee for every 2.5 inmates. This ratio is the combined average of the last three prisons opened by DOC and the three new prisons under construction. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Using the same 1% estimate, if 72 beds are created in year 1, operating costs could equal $4,912/ day or $1,792,794/year. If 160 beds are created in year 2, operating costs would equal $8,432/day or $3,077,630/year.

The bed impact described above does not include the additional prison beds that may result from new G.S. 14-50.18(c) which adds ten years to the underlying sentence if a person who occupies a position of organizer/supervisor with regard to criminal street gangs engages in or conspires to engage in a patter of criminal gang activity. It is not known how many offenders might receive an additional 10 years or in which offense class it might be applied. Table 2 shows the average estimated time served by offense class for FY 2001-2002 and under this proposal. The additional ten-year sentence would result in additional impact for every offense to which it is applied.

Table 2: Additional Impact Resulting From New G.S. 14-50.18(c)[8]

Offense Class	Average Estimated Time Served	Average Estimated Time Served Plus 10 Years
Felonies	**Months**	**Months**
B1	274	394
B2	188	308
C	101	221
D	74	194
E	33	153
F	20	140
G	16	136
H	11	131
I	7	127
Misdemeanors	**Days**	**Months**
A1	56	122
1	36	122
2	16	121
3	4	121

[8] NC Sentencing and Policy Advisory Commission

Department of Juvenile Justice and Delinquency Prevention

Because of the additional violent and serious adjudications under the proposed bill, this bill may have a potential impact on the Department of Juvenile Justice and Delinquency Prevention (DJJDP) resources. Governor's Crime Commission survey data indicate that approximately one-fifth of North Carolina gang members are under 16 years of age.[9] DJJDP's impact will likely involve juvenile court counselors who are responsible for receiving and investigating complaints related to undisciplined or delinquent juveniles under the age of 16. In addition, there will be cost associated with diverting some of these offenders to alternative dispositions such as Eckerd or multi-purpose group homes and costs associated with probation and supervision. DJJDP will incur costs for those offenders who are committed to detention centers or youth development centers. However, data is unavailable regarding the number of youth gang offenders who might be committed to a youth development or detention center or given a community based sanction. Thus, a specific impact on youth development center resources is not known.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

TECHNICAL CONSIDERATIONS:

1. New G.S. 14-50.17(2) is somewhat difficult to interpret since the term "criminal gang activity" is not defined. The offenses listed in the definition include some that are relatively high-volume, such as weapons offenses, stalking, sex offenses, and offenses against the public peace. This bill could significantly enhance the punishment for defendants involved in gang activity.

2. The bill does not make it clear as to how and when these offenses are to be charged and tried. It is unclear whether these offenses would be at the time of trial for second offenses or anytime after being convicted for the second offense OR in place of the sentence for the second offense.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Nicole Kreiser and Denise Thomas



APPROVED BY: James D. Johnson, Director, Fiscal Research Division



DATE: July 9, 2003

[9] North Carolina Governor's Crime Commission report on gang activity in North Carolina. Perceptions of Youth Crime and Youth Gangs: A Statewide Systemic Investigation. April 2000. Available: http://www.gcc.state.nc.us/gangstudy.htm

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: July 16, 2003

TO: Representative Michaux

FROM: Denise Thomas
Fiscal Research Division

RE: Street Gang Terrorism Prevention Act (PCS H732-CSLH-23 [v.1])

FISCAL IMPACT

	Yes (X)	No ( )	No Estimate Available ( )		
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction (Recurring)[1]		*At least* $1,792,794	*At least* $3,077,640		
Judicial	Unable to determine exact amount; impact could be significant.				
Juvenile Justice	Unable to determine exact amount; impact could be significant				
TOTAL EXPENDITURES:	Unable to determine exact amount; impact could be significant.				
ADDITIONAL PRISON BEDS**	The Sentencing Commission estimates that this specific legislation will add at least 72 inmates in 2004-2005 and at least 160 inmates by 2005-2006 to the prison system, excluding youth offenders who might be committed to youth development centers and detention centers.[1]				
POSITIONS: (cumulative)	It is anticipated that at least 64 positions would be needed to supervise the additional inmates housed under this bill by 2007-08, excluding positions that might be needed in youth development and detention centers.[1]				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction; Judicial Branch; Department of Juvenile Justice and Delinquency Prevention

EFFECTIVE DATE: December 1, 2003

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[1] **This estimate represents only 1% of the potentially eligible felony and misdemeanor convictions that may occur as a result of this bill *and the actual amount could be much higher.*** Please see pages 5-8 for more information.

This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.

BILL SUMMARY:[2] This bill creates a new Article 13A entitled "North Carolina Street Gang Terrorism Prevention Act." New G.S. 14-50.18 creates five new felonies, one of which has the effect of increasing the penalty for communicating threats relating to certain gang activity from a Class 1 misdemeanor to a Class G felony. The bill makes it a Class E felony for any person associated with a criminal street gang to engage in a pattern of criminal gang activity, or for any person to acquire or maintain an interest in property (including money) through a pattern of criminal gang activity. The bill makes it a Class G felony for any person to cause, encourage, solicit, or coerce another to participate in a criminal street gang, or to communicate a threat to another (or his associate or relative) to deter him from assisting a gang member to withdraw from a gang or to punish or retaliate against him for having withdrawn from a gang. Furthermore, the bills make it unlawful for a gang leader to engage in, directly or indirectly, or conspire to engage in a pattern of criminal gang activity. This offense is punishable by imprisonment for an additional 10 years, to be served consecutively with any other sentence imposed. This bill does not specify a felony class under Structured Sentencing for this offense.

The bill provides several definitions that apply in this article. New G.S. 14-50.17 defines "criminal street gang" as any organization, association, or group of three or more persons associated in fact which engages in a pattern of criminal activity. The existence of such organization may be established by evidence of a common name or common identifying signs, symbols, tattoos, graffiti, attire, or other distinguishing characteristics. The bill defines "pattern of criminal gang activity" as the commission, attempted commission, conspiracy to commit, or solicitation, coercion, or intimidation of another to commit at least 2 of the offenses specified in new G.S. 14-50.17(2), provided that at least one of the offenses occurred after July 1, 2003 and the last offense occurred within 3 years of "prior criminal gang activity" (excluding any periods of imprisonment).

The bill also establishes new G.S. 14-50.19(a) which defines the following property as contraband: (1) all property that is directly or indirectly used in any manner to facilitate violation of this Article; and (2) any property constituting or derived from proceeds obtained from a violation of this Article. New subsection (b) provides that a court may enter a restraining order or take other appropriate action, including acceptance of performance bonds, in connection with any interest that is subject to forfeiture. New subsection (c) directs the district attorney or Attorney General to initiate a forfeiture proceeding as provided in G.S. 14-2.3 within 60 days of the date of the seizure of contraband.

The bill creates new G.S. 14-50.21, which provides that any real property that is erected, established, maintained, owned, leased, or used by any criminal street gang for the purpose of conducting criminal gang activity shall constitute a public nuisance and may be abated as provided by Article 1 of Chapter 19 of the General Statutes.

[2] Administrative Office of the Courts Research and Planning Division

Finally, notwithstanding any other provision of law, nothing in this act shall require the General Assembly to appropriate funds for its implementation.

ASSUMPTIONS AND METHODOLOGY:

A survey of criminal justice professionals administered by the Governor's Crime Commission in 1999 revealed that there were 332 gangs present in North Carolina, with an estimated 5,143 members.[3] No data is available from which to estimate the incidence of crime among gangs, particularly with the respect to the offenses listed in new G.S. 14-50.17(2).[4]

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Definition of Criminal Street Gang

The AOC notes that the number of offenses listed in the definition of criminal gang activity include offenses that are relatively high-volume, such as weapons offenses, stalking, sex offenses, and offenses against the public peace. AOC states that this bill could significantly enhance the punishment for defendants involved in gang activity.

Forfeiture of Contraband

To the extent that such contraband is currently processed pursuant to G.S. 14-2.3, the AOC does not expect a significant increase in the number forfeiture proceedings as a result of this provision. However, AOC notes that the bill creates broad categories of "contraband." AOC is unable to estimate the number of forfeiture proceedings that may result from this bill.

Nuisance Actions

AOC anticipates that to the extent that property used for conducting gang activity already constitutes a public nuisance under G.S. 19-1 (under current G.S.19-1, "nuisances" are defined to include the erection, establishment, use, ownership or leasing of any building or place for the purpose of illegal possession or sale of alcoholic beverages or controlled substances, or wherein are carried on repeated acts which create a breach of the peace). Thus the AOC does not anticipate a significant number in civil actions for abatement as a result of the bill's new provision. However, AOC notes that this bill seems to significantly broaden the scope of properties that could be actionable as nuisance and such actions could involve significant "innocent" property owners and thus be complex and time consuming.

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[3] Administrative Office of the Courts Research and Planning Division and North Carolina Governor's Crime Commission report on gang activity in North Carolina. Perceptions of Youth Crime and Youth Gangs: A Statewide Systemic Investigation. April 2000. Available: http://www.gcc.state.nc.us/gangstudy.htm

[4] AOC Research and Planning Division

AOC has no data from which to estimate the number of civil actions that may result from the new nuisance provision.

Communicating a Threat

The AOC is unable to estimate the number of new or enhanced charges for the new felonies created by the bill. Under current G.S. 14-277.1, communicating a threat is punishable as a Class 1 misdemeanor. AOC data indicate that during calendar year 2002, 23,968 defendants were charged with communicating a threat. It is not reasonable to suggest that a large number of these defendants, or even a moderate number of these defendants, were members of a gang. It is not possible to determine from AOC data the number of charges that involved threats made by a gang member to deter another from assisting a gang member to withdraw from the gang, or to punish or retaliate against another for withdrawing from a gang. If these threats were a result of such behavior, they would be punishable as a Class G felony under this bill.

Other Felonies

The bill makes it a Class E felony for any person employed by or associated with a criminal street gang or to conduct or participate in the criminal street gang thorough a pattern of criminal gang activity. It is also a Class E felony to acquire or maintain, directly or indirectly, proceeds derived from any interest in or control of any real or personal property of any nature, including money. AOC is unable to estimate the number of new defendants that may result from ratification of this bill. For offenses that are brought to trial as Class E felonies, the estimated court cost per trial is $7,188. For Class E felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $341.

The bill makes it a Class G felony for any person to cause, encourage, solicit, or coerce another to participate in a criminal street gang, or to communicate a threat to another (or his associate or relative) to deter him from assisting a gang member to withdraw from a gang or to punish or retaliate against him for having withdrawn from a gang. The AOC is unable to estimate the number of new offenses that may result from ratification of this bill. For offenses that are brought to trial as Class G felonies, the estimated court cost per trial is $6,199. For Class G felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $307.

Section 2 of the proposed bill specifies that no additional appropriations shall be provided to the Department of Correction to implement this bill. Thus, the Judicial Branch will have to accommodate any additional costs within its existing budget

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The

number of beds needed will always be equal to the projected number of inmates due to a bill.

Since the proposed bill creates new offenses, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be convicted and sentenced for these proposed offenses.

The Sentencing Commission reports that based on current data, it is not possible to determine who would qualify as a member of a "criminal street gang." They do state that it is possible to determine the potentially eligible felony and misdemeanor convictions based on the proposed definition of "a pattern of criminal gang activity." In FY 2001 - 2002 there were 925 felony convictions and 5,839 misdemeanor convictions under the statutes included in the proposed definition of "a pattern of criminal gang activity."[5] Of the 925 felony convictions, 763 fell in Prior Record Level II or higher, indicating at least one prior conviction.[6] Four hundred seventy-nine (479 or 63%) of those convictions were for Possession of Firearm by Felon. Of the 5,839 misdemeanor convictions, 3,115 fell in Prior Conviction Level II or higher, indicating at least one prior conviction.[7] One thousand eight hundred sixty-two (1,852 or 60%) of those convictions were for Communicating Threats, 578 (19%) were for Carrying a Concealed Weapon, and 300 (10%) were for Carrying a Concealed Gun.

The Sentencing Commission reports that of the 763 felony convictions in Prior Record Level II or higher, 193 were for Class B1 through E offenses and, therefore, may not result in additional prison impact with regard to the Class E or G offenses in this proposed bill. However, the Sentencing Commission anticipates that additional convictions for the Class E or G offenses could result in substantial impact if consecutive sentencing is applied. The remaining 570 convictions for Class F through I offenses could result in substantial prison impact. Substantial impact may occur if the offender's most serious conviction would be a Class E or G felony as opposed to a less serious felony conviction. The large number of misdemeanor convictions potentially affected by this proposed bill could also result in substantial prison impact. Substantial impact may occur if the offender's most serious conviction would be a Class E or G felony as opposed to a misdemeanor conviction. The additional ten year-sentence (subsection (c)) would result in additional impact for every offense to which it is applied.

The following table demonstrates the prison bed impact if 1% of the potentially eligible felony and misdemeanor convictions are convicted of offenses resulting from this bill.

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[5] The Sentencing and Policy Advisory Commission notes that thhe proposed definition of "pattern of criminal gang activity" refers to a sequence of "offenses." It is assumed that "offenses" mean "convictions" and the defendant is eligible at the time he or she is convicted of their second offense. This assumption is based on the legal process for habitual felon status under current law. The proposed bill does not set out the legal process for establishing the proposed offenses.

[6] While the AOC database contains information on the number of prior record/conviction points, it does not contain information about the specific offenses that are used to calculate the number of prior record/conviction points or about the timing of prior convictions.

[7] See Footnote 4.

Table 1: Prison Bed Impact if 1% of Eligible Population is Convicted Under Provisions Listed in This Bill

Offense	Felony Charge	Number of Convictions	First Year Prison Bed Impact	Second Year Prison Bed Impact	Note:
G.S. 14-50.18(a) Any person employed or associated with a criminal street gang conducting or participating in the criminal street gang through a pattern of criminal gang activity.	Class E	39	20	48	If there were two Class E convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year.
G.S. 14-50.18(b) Any person who acquires or maintains, directly or indirectly, through a pattern of criminal gang activity or proceeds derived therefrom any interest in or control of any real or personal property.	Class E	39	20	48	If there were two Class E convictions under the proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year.
G.S. 14-50.18(c)	Please See Table 2				
G.S. 14-50.18(d) Any person who causes, encourages, solicits, or coerces another to participate in a criminal street gang.	Class G	39	16	32	If there were five Class G convictions under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and four additional prison beds the second year.
G.S. 14-50.18(f) Any person who communicates with another any threat or injury or damage to the person or property of another person... with the intent to deter the person from assisting a member or associate of a criminal street gang to withdraw from a criminal street gang.	Class G	39	16	32	If there were five Class G convictions under this proposed statute per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and four additional prison beds the second year.

The Sentencing Commission estimates that this specific legislation will add at least 160 inmates to the prison system by FY 2005-2006. ***This estimate represents only 1% of the potentially eligible felony and misdemeanor convictions that may occur as a result of this bill and the actual amount could be much higher.*** It is anticipated that at least 64 positions would be needed to supervise the additional inmates housed under this bill by 2007-08.

These position totals include security, program, and administrative personnel at a ratio of one employee for every 2.5 inmates. This ratio is the combined average of the last three prisons opened by DOC and the three new prisons under construction. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year. Using the same 1% estimate, if 72 beds are created in year 1, operating costs could equal $4,912/day or $1,792,794/year. If 160 beds are created in year 2, operating costs would equal $8,432/day or $3,077,630/year.

The bed impact described above does not include the additional prison beds that may result from new G.S. 14-50.18(c) which adds ten years to the underlying sentence if a person who occupies a position of organizer/supervisor with regard to criminal street gangs engages in or conspires to engage in a patter of criminal gang activity. It is not known how many offenders might receive an additional 10 years or in which offense class it might be applied. Table 2 shows the average estimated time served by offense class for FY 2001-2002 and under this proposal. The additional ten-year sentence would result in additional impact for every offense to which it is applied.

Table 2: Additional Impact Resulting From New G.S. 14-50.18(c)[8]

Offense Class	Average Estimated Time Served	Average Estimated Time Served Plus 10 Years
Felonies	**Months**	**Months**
B1	274	394
B2	188	308
C	101	221
D	74	194
E	33	153
F	20	140
G	16	136
H	11	131
I	7	127
Misdemeanors	**Days**	**Months**
A1	56	122
1	36	122
2	16	121
3	4	121

Section 2 of the proposed bill specifies that no additional appropriations shall be provided to the Department of Correction to implement this bill. Thus, the Department of Correction will have to accommodate any additional costs within its existing budget.

Department of Juvenile Justice and Delinquency Prevention

[8] NC Sentencing and Policy Advisory Commission

Because of the additional violent and serious adjudications under the proposed bill, this bill may have a potential impact on the Department of Juvenile Justice and Delinquency Prevention (DJJDP) resources. Governor's Crime Commission survey data indicate that approximately one-fifth of North Carolina gang members are under 16 years of age.[9] DJJDP's impact will likely involve juvenile court counselors who are responsible for receiving and investigating complaints related to undisciplined or delinquent juveniles under the age of 16. In addition, there will be cost associated with diverting some of these offenders to alternative dispositions such as community programs (e.g. Eckerd Camp, multi-purpose group homes, probation and supervision). For those offenders who are not diverted, there will be costs associated with youth offenders being committed to detention centers or youth development centers. However, data is unavailable regarding the number of youth gang offenders who might be committed to a youth development or detention center or given a community based sanction. Thus, a specific impact on youth development center resources is not known.

Section 2 of the proposed bill specifies that no additional appropriations shall be provided to the Department of Correction to implement this bill. Thus, the Department of Juvenile Justice and Delinquency Prevention will have to accommodate any additional costs within its existing budget.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

TECHNICAL CONSIDERATIONS:

1. New G.S. 14-50.17(2) is somewhat difficult to interpret since the term "criminal gang activity" is not defined. The offenses listed in the definition include some that are relatively high-volume, such as weapons offenses, stalking, sex offenses, and offenses against the public peace. This bill could significantly enhance the punishment for defendants involved in gang activity.

2. The bill does not make it clear as to how and when these offenses are to be charged and tried. It is unclear whether these offenses would be at the time of trial for second offenses or anytime after being convicted for the second offense OR in place of the sentence for the second offense.

[9] North Carolina Governor's Crime Commission report on gang activity in North Carolina. Perceptions of Youth Crime and Youth Gangs: A Statewide Systemic Investigation. April 2000. Available: http://www.gcc.state.nc.us/gangstudy.htm

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 1091

Committee Substitute Favorable 4/30/03

Short Title: Penalty for Illegal Indoor Pyrotechnics. (Public)

Sponsors:

Referred to:

April 10, 2003

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE PENALTY FOR INDOOR EXHIBITIONS OF ILLEGAL PYROTECHNICS.

Whereas, the recent tragedy in Rhode Island where indoor pyrotechnics were apparently used in a crowded indoor club without the permit required by state law has prompted many to see if a similar tragedy could occur in this State; and

Whereas, that tragedy was compounded by the use of combustible materials for soundproofing; and

Whereas, North Carolina like Rhode Island has a law requiring permits for the use of pyrotechnics, which are especially dangerous in crowded indoor situations, but the General Assembly has little knowledge about the extent of compliance with this law; and

Whereas, the same band that played at the Rhode Island nightclub date had played at a nightclub in Winston-Salem just a week earlier and, according to press reports, had used some form of pyrotechnics; and

Whereas, there are many local acts relating to pyrotechnic displays, some delegating from the county commission to county staff the authority to grant such permits, some delegating to municipalities the power to issue such permits, and one in Charlotte requiring an additional permit from the fire department; and

Whereas, current North Carolina law has only minor penalties for violation of the pyrotechnic laws and other related laws; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 14-415 reads as rewritten:

"**§ 14-415. Violation made misdemeanor.**

Any person violating any of the provisions of this Article, except as otherwise specified in said Article, shall be guilty of a Class 2 ~~misdemeanor.~~ misdemeanor, except that it is a Class 1 misdemeanor if the exhibition is indoors."

SECTION 2. The State Fire Marshal shall report to the Joint Legislative Commission on Governmental Operations no later than January 15, 2005, on the

compliance with this act and its effectiveness in reducing the risk of disasters and on the compliance with the law requiring permits for pyrotechnic displays, as well as the current local legislation on the subject. The State Fire Marshal may include in that report any recommendations for additional legislation.

SECTION 3. This act becomes effective with respect to offenses committed on or after December 1, 2003.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: HB 1091 2nd Edition

SHORT TITLE: Penalty for Illegal Indoor Pyrotechnics

SPONSOR(S): Representatives Goodwin, Blackwood, Dickson

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring	Unable to determine exact amount; no substantial impact anticipated.				
Nonrecurring					
Judicial					
Recurring	No substantial impact anticipated.				
Nonrecurring					
TOTAL EXPENDITURES:	Unable to determine exact amount.				

ADDITIONAL PRISON BEDS* It is likely that most misdemeanants sentenced to an active sentence under this bill would be housed in local jails at a cost to the state of $18/day. The exception is Class 1 offenders falling in Prior Record Level III who may receive active sentences that might be served in the state prison system.

POSITIONS: (cumulative) Unable to determine exact amount; additional positions not anticipated.

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction (DOC); Judicial Branch

EFFECTIVE DATE: December 1, 2003.

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: HB 1091 amends Article 54 to provide enhanced regulation for indoor pyrotechnic displays. The bill amends G.S. 14-415 to make it a Class 1 misdemeanor if an exhibition is indoors. Current G.S. 14-515 makes any violation of Article 54, except as otherwise specified in the Article, a Class 2 misdemeanor.

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory Commission prepares prison population projections for each criminal penalty bill. The Commission assumes for each bill that increasing criminal penalties does not have a deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division (FRD) does not assume savings due to deterrent effects for this bill or other criminal penalty bills.

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Since HB 1091 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced under this bill. In FY 2001-02, 15.8 percent of Class 1 misdemeanor convictions resulted in active sentences. The average estimated time served was 35.2 days.

The Sentencing Commission does note that in FY 2001-2002, 26 offenders were convicted for the unlawful possession of pyrotechnics, a Class 2 misdemeanor. However, data are not available concerning whether these involved indoor displays. In FY 2001-2002, the average estimated time served for Class 2 misdemeanants sentenced to active sentences was 23.4 days.

Because of the increase in punishment from Class 2 to Class 1 misdemeanors for indoor pyrotechnic displays, misdemeanants sentenced to active punishment would still be housed in local jails, but would now be paid for by the State at a cost of $18/day. (Active sentences between 1-90 days are served in local jails; the DOC reimburses counties for active sentences between 30-90 days). Because only Class 1 offenders falling in Prior Record Level III receive active sentences that might be served in the state prison system, convictions for this proposed offense would not be expected to have a significant impact on the prison population. Therefore, convictions as a result of this bill would not be expected to have a significant impact on the prison population. The impact on local jail populations is not known.

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

The AOC anticipates that some defendants currently charged with Class 2 misdemeanors would be charged with Class 1 misdemeanors under the bill. AOC data show that 159 defendants were charged with the unlawful possession of pyrotechnics. Data are not available on the number of defendants who were charged for violations relating specifically to indoor pyrotechnic displays. The AOC does not anticipate a significant change in court time or litigation strategies required to dispose of the Class 1 misdemeanor cases under this bill, compared to the Class 2 misdemeanors under current law.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Nicole Kreiser

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APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 30, 2003

F

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
S.B. 867 A BILL TO BE ENTITLED AN ACT TO CREATE THE OFFENSE OF ARSON OR OTHER UNLAWFUL BURNINGS THAT RESULT IN SERIOUS INJURY TO A FIREFIGHTER.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the House committee substitute bill # 2, which changes the title unfavorable as to House Committee Substitute Bill # 1.

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 3

SENATE BILL 867
Judiciary II Committee Substitute Adopted 4/30/03
House Committee Substitute Favorable 5/19/03

Short Title: Arson/Serious Injury to Firefighter. (Public)

Sponsors:

Referred to:

April 3, 2003

A BILL TO BE ENTITLED

AN ACT TO CREATE THE OFFENSE OF ARSON OR OTHER UNLAWFUL BURNINGS THAT RESULT IN SERIOUS INJURY TO A FIREFIGHTER.

The General Assembly of North Carolina enacts:

SECTION 1. Article 15 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-69.3. Arson or other unlawful burning that results in serious injury to a firefighter.**

A person is guilty of a Class E felony if the person commits an offense under Article 15 of Chapter 14 of the General Statutes and a firefighter suffers serious bodily injury while discharging or attempting to discharge the firefighter's duties as a result of the criminal offense."

SECTION 2. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: SB 867 3rd Edition

SHORT TITLE: Arson/Serious Injury to Firefighter

SPONSOR(S): Senator Hagan

FISCAL IMPACT

	Yes (X)	No ( )	No Estimate Available ( )		
	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring		Unable to determine exact amount.			
Judicial					
Recurring		Unable to determine exact amount.			
TOTAL EXPENDITURES:		Unable to determine exact amount.			
ADDITIONAL PRISON BEDS*		Unable to determine exact amount.			
POSITIONS: (cumulative)		Unable to determine exact amount.			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction (DOC); Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: SB 867 creates the offense of arson or other unlawful burnings that result in serious injury to a firefighter, punishable by a Class E felony. Under current law, all of the arson and other burning offenses under Article 15 are punishable as Class H, G, F, E, or D felonies.

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory Commission prepares prison population projections for each criminal penalty bill. The Commission assumes for each bill that increasing criminal penalties does not have a deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division (FRD) does not assume savings due to deterrent effects for this bill or other criminal penalty bills.

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Since the bill creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. In FY 2001-2002, there were 172 convictions under relevant arson statutes. The Sentencing Commission notes that it is not known whether any firefighters suffered bodily injury while discharging or attempting to discharge their duties in relation to the offenses for these convictions.

It is not known how many offenders might be sentenced for this offense. If, for example, there were two Class E convictions under this proposed bill per year, the combination of active sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year.

Under Structured Sentencing, offenders falling under Prior Record Levels I and II may receive intermediate or active sentences, while offenders falling under the remaining prior record levels receive only active sentences. In FY 2001-2002, 49 percent of Class E felons received intermediate punishment and 51 percent received active sentences. In 2001-2002, costs for intermediate sanctions ranged from $1.83 to $11.47 per offender per day, and the statewide average operating cost for one prison inmate was $62.43/day ($22,787/year). In addition, offenders who would have been convicted of felonies no greater than Class F, who serve active prison time for a Class E felony under this legislation, would now be supervised for nine months upon release from prison, at a cost of $1.83 to $11.47 per offender per day.

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Because SB 867 creates a new offense, the AOC has no data from which to estimate the number of charges that may arise as a result of this bill. However, data are available regarding the number of arson charges and other burning offenses as the AOC has offense codes for thirteen of the arson and other burning offenses under Article 15. AOC data for calendar year 2002 reveal that 756 defendants were charged with offenses under Article 15 (106 with first degree arson and 650 with other arson offenses). Currently, the only Class E felony offense under Article 15 (arson and other burnings) is for burning churches and certain other religious buildings. All the other arson and burning offenses under current law are punished as Class H, G, F, or D felonies. Data are not available on the number of defendants charged with these offenses who could be charged with the Class E felony offense involving serious injury to a firefighter under the bill.

Because the bill creates a Class E felony, the AOC anticipates that the defense would be vigorous and the litigation more time consuming. Trials and pleas would demand more court time and preparation time due to the stiffer penalties under the bill. For offenses that are brought to trial as Class E felonies, the estimated court cost per trial is $8,532. For Class E felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $403.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission

TECHNICAL CONSIDERATIONS: It is unclear whether the intent of the bill is that persons be charged with the offense under the bill in addition to other arson and burning offenses under Article 15. The data from the Sentencing Commission assumes that the Class E felony charge is in addition to any charges under existing law.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Nicole Kreiser

and

Chloe Gossage

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: May 19, 2003

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S D

SENATE BILL 867

Judiciary II Committee Substitute Adopted 4/30/03
House Committee Substitute Favorable 5/19/03
PROPOSED HOUSE COMMITTEE SUBSTITUTE S867-CSLH-22 [v.1]

7/15/2003 4:49:48 PM

Short Title: Arson-Firefighter Injury/New Bomb Offense. (Public)

Sponsors:

Referred to:

April 3, 2003

A BILL TO BE ENTITLED

AN ACT TO CREATE THE OFFENSE OF ARSON OR OTHER UNLAWFUL BURNINGS THAT RESULT IN SERIOUS INJURY TO A FIREFIGHTER AND TO INCREASE THE CRIMINAL PENALTY FOR DAMAGING A PUBLIC BUILDING WITH AN EXPLOSIVE OR INCENDIARY DEVICE OR MATERIAL.

The General Assembly of North Carolina enacts:

SECTION 1. Article 15 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-69.3. Arson or other unlawful burning that results in serious injury to a firefighter.**

A person is guilty of a Class E felony if the person commits an offense under Article 15 of Chapter 14 of the General Statutes and a firefighter suffers serious bodily injury while discharging or attempting to discharge the firefighter's duties. ~~As a result of the criminal offense, a person~~ may be charged and convicted of both an offense under Article 15 of Chapter 14 of the General Statutes and the offense created by this section."

SECTION 2. G.S. 14-49 is amended by adding a new subsection to read:

"(b2) Any person who willfully and maliciously damages, aids, counsels, or procures the damaging of the State Capitol, the Legislative Building, the Justice Building, or any building owned or occupied by the State or any of its agencies, institutions, or subdivisions or by any county, incorporated city or town, or other governmental entity by the use of any explosive or incendiary device or material is guilty of a Class E felony."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

SENATE BILL 867:
Arson/Serious Injury to Firefighter

BILL ANALYSIS

Committee:	House Appropriations	**Introduced by:**	Senator Hagan
Date:	July 16, 2003	**Summary by:**	Drupti Chauhan*
Version:	3rd Edition		Staff Attorney

SUMMARY: ***Senate Bill 867 would create the offense of arson or other unlawful burnings that result in serious injury to a firefighter. Punishment would be a Class D felony.***

The Third Edition changes the punishment from a Class D to a Class E felony.

****The House Proposed Committee Substitute adds language clarifying that a person may be charged and convicted of both the underlying arson or unlawful burning offense and the newly created offense of "arson or other unlawful burning that results in serious injury to a firefighter."***

BILL ANALYSIS: Offenses of arson and other unlawful burnings currently are classified as Class D through Class H felonies. If the burned building is occupied at the time of the burning, the offense is a Class D felony. The minimum presumptive punishment, assuming no prior convictions, for convictions of these felonies range from 5-6 months of community, intermediate, or active punishment (for a Class H felony) through 51-64 months of active punishment (for a Class D felony).

The new offense would treat the crime as if the building was occupied at the time of the burning. It would be a Class E felony. The minimum presumptive punishment, assuming no prior convictions, for convictions of these felonies would be 51-64 months of active punishment.

The Sentencing Commission has suggested that the offense would be consistent with the criteria for a Class E felony.

EFFECTIVE DATE: The bill would become effective December 1, 2003, and would apply to offenses committed on or after that date.

Robin Johnson, Research Attorney, contributed significantly to this summary.
S867-SMRQ-001
Edited by House Appropriations Staff (7/16/03)

HOUSE BILL 327:
Increase Penalty For Certain Bomb Offenses.

BILL ANALYSIS

Committee:	House Appropriations	**Introduced by:**	Representative Goodwin
Date:	July 16, 2003	**Summary by:**	Jeff Hudson
Version:	Second Edition		Staff Attorney

SUMMARY: House Bill 327 would increase the criminal penalty for damaging a public building with an explosive or incendiary device or material.

CURRENT LAW: Under current law, any person who willfully and maliciously damages real property belonging to another by the use of any explosive or incendiary device or material is guilty of a Class G felony (10 to 16 months of intermediate or active punishment). If the property is a building of worship, the penalty is a Class E felony (20 to 39 months of intermediate or active punishment). If the real property is occupied at the time of the damage, the penalty is a Class D felony (51 to 86 months of active punishment).

BILL ANALYSIS: House Bill 327 would provide that any person who willfully and maliciously damages, aids, counsels, or procures the damaging of the State Capitol, the Legislative Building, the Justice Building or any building owned or occupied by the State or any of its agencies, institutions or subdivisions or by any county, incorporated city or town or other governmental entity by the use of any explosive or incendiary device or material is guilty of a Class E felony (20 to 39 months of intermediate or active punishment).

EFFECTIVE DATE: This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

H327-SMSB-003

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note. If upon introduction of the bill you determine that a formal fiscal note is needed, please make a fiscal note request to the Fiscal Research Division, and one will be provided under the rules of the House and the Senate.]

DATE: July 15, 2003

TO: House Appropriations Committee

FROM: Chloe Gossage and Doug Holbrook
Fiscal Research Division

RE: **S867-CSLH-22 [v.1] PCS (Arson-Firefighter Injury/New Bomb Offense)**

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring		Unable to determine exact amount.			
Judicial					
Recurring		Unable to determine exact amount.			
TOTAL EXPENDITURES:		Unable to determine exact amount.			
ADDITIONAL PRISON BEDS*		Unable to determine exact amount.			
POSITIONS: (cumulative)		Unable to determine exact amount.			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction (DOC); Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: This proposal would create two new Class E felony offenses. ***Section 1*** creates the offense of arson or other unlawful burnings that result in serious injury to a firefighter, punishable by a Class E felony. Under current law, all arson and other burning offenses under Article 15 are punishable as Class H, G, F, E, or D felonies. This PCS clarifies that the new Class E felony offense could be charged *in addition to* other charges for arson offenses.

Section2 amends G.S. 14-49 to make it a Class E felony for any person to willfully and maliciously damage, aid, counsel, or procure the damage by use of any explosive or incendiary device or material of the State Capitol, the Legislative Building, the Justice Building or any building owned or occupied by the State or any of its agencies, institutions or subdivisions or by any county, incorporated city or town or other governmental entity. Under current G.S. 14-49, it is a Class G felony for any person to willfully and maliciously damage any real or personal property of any kind or nature belonging to another by use of any explosive or incendiary device or material. Thus, some defendants who are currently charged with Class G felonies could be charged with Class E felonies under the bill.

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory Commission prepares prison population projections for each criminal penalty bill. The Commission assumes for each bill that increasing criminal penalties does not have a deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division (FRD) does not assume savings due to deterrent effects for this bill or other criminal penalty bills.

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Section 1: New Class E Arson Offense – Serious Injury to Firefighter

Since the section creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. In FY 2001-02, there were 172 convictions under relevant arson statutes. The Sentencing Commission notes that it is not known whether any firefighters suffered bodily injury while discharging or attempting to discharge their duties in relation to the offenses for these convictions.

It is not known how many offenders might be sentenced for this offense. If, for example, there were two Class E convictions under this proposed bill per year, the combination of active

sentences and probation revocations would result in the need for one additional prison bed the first year and three additional prison beds the second year. If offenders are convicted of this offense *in addition to* another arson offense, it is possible that a judge might order the sentences to run concurrently, thus reducing the need for new prison beds. It is also possible, however, that a judge would order the Class E felony conviction to run consecutively with another Class D through H arson conviction.

Under Structured Sentencing, offenders falling under Prior Record Levels I and II may receive intermediate or active sentences, while offenders falling under the remaining prior record levels receive only active sentences. In FY 2001-02, 49 percent of Class E felons received intermediate punishment and 51 percent received active sentences. In 2001-02, costs for intermediate sanctions ranged from $1.83 to $11.47 per offender per day, and the statewide average operating cost for one prison inmate was $62.43/day ($22,787/year). In addition, offenders who would have been convicted of felonies no greater than Class F, who serve active prison time for a Class E felony under this legislation, would now be supervised for nine months upon release from prison, at a cost of $1.83 to $11.47 per offender per day.

Section 2: New Class E Bomb Offense – Governmental Buildings
In FY 2001-02 there was one conviction under G.S. 14-49(b), willful or malicious damage to real or personal property belonging to another by use of an explosive or incendiary device or material. If, for example, there were five convictions each year that would be reclassified from Class G to Class E offenses, there would be the need for one additional prison bed the first year and two additional prison beds the second year. In FY 2001-02, 49 percent of Class E felony offenders received intermediate punishment and 51 percent received an active sentence. The average sentenced imposed ranged from a minimum of 31 to a maximum of 47 months. In 2001-02, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year.

Judicial Branch
For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

Section 1: New Class E Arson Offense – Serious Injury to Firefighter
Because the section creates a new offense, the AOC has no data from which to estimate the number of charges that may arise as a result of this bill. However, data are available regarding the number of arson charges and other burning offenses as the AOC has offense codes for thirteen of the arson and other burning offenses under Article 15. AOC data for calendar year 2002 reveal that 756 defendants were charged with offenses under Article 15 (106 with first degree arson and 650 with other arson offenses). Currently, the only Class E felony offense under Article 15 (arson and other burnings) is for burning churches and certain other religious buildings. All the other arson and burning offenses under current law are punished as Class H, G, F, or D felonies. Data are not available on the number of defendants charged with these

offenses who could be charged with the Class E felony offense involving serious injury to a firefighter under the bill.

Because the section creates a Class E felony, the AOC anticipates that the defense would be vigorous and the litigation more time consuming, compared to Class H, G, or F felony cases. Trials and pleas would demand more court time and preparation time due to the stiffer or additional penalties under the bill. For offenses that are brought to trial as Class E felonies, the estimated court cost per trial is $8,532. For Class E felony offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $403.

Section 2: New Class E Explosive/Incendiary Device Offense

AOC data reveal 41 defendants were charged with the Class G felony under G.S. 14-49. Although data are not available on the number of these defendants who could be charged for using explosive devices to damage governmental buildings as proscribed under the bill, it is plausible that some of these charges involved damage to governmental buildings. As a result, some of the 41 defendants charged with a Class G felony would be subject to the enhanced penalty (Class E felony). The AOC anticipates that some court workload would increase under this bill. Trials and pleas would demand more court time and preparation time due to the stiffer penalties under the bill.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission

TECHNICAL CONSIDERATIONS: Previous editions of the fiscal note for SB 867 indicated that it was unclear whether the intent of the bill is that persons be charged with the new arson offense under the bill in addition to other arson and burning offenses under Article 15. This PCS clarifies that the Class E felony charge is in addition to any charges under existing law.

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____ DATE _____

S. B. No. 867 (LH-22) Amendment No. 1

(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep. ~~Hagan~~ Sherrill

Sen.

1 moves to amend the bill on page 1, line 14-16

2 ( ) WHICH CHANGES THE TITLE

3 by rewriting those lines to read:

4 "while discharging or attempting to

5 discharge the firefighter's duties."

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SIGNED A. Sherrill

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 867

AMENDMENT NO. 2
(to be filled in by
Principal Clerk)

S867-ALH-23 [v.1]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]
S867-CSLH-22

Representative Nesbitt

moves to amend the bill on page 1, lines 24-25,
by rewriting those lines to read:

"**SECTION 3.** There is established in the Department of Crime Control and Public Safety, State Highway Patrol Division, the Honorary Liston B. Ramsey Mounted Horse/Caisson Patrol Unit as part of the State Highway Patrol. The Unit shall fall under the command of the Special Operations Section of the State Highway Patrol to function as a horse-drawn caisson procession at the funeral services of certain law enforcement personnel and other fallen heroes and heroines.

The Unit shall consist of a caisson wagon, two horses to pull the wagon, and a horse to follow the wagon. The Unit offices, stables, equipment storage, and training facilities shall be located at Bearwallow Ridge Farms, 434 School Road, in Marshall, North Carolina. All operations dealing with the Honorary Liston B. Ramsey Mounted Horse/Caisson Patrol Unit shall be conducted from that location.

The Department, on behalf of the State Highway Patrol, may accept grants, contributions, devises, bequests, and gifts which shall be kept in a separate fund and shall be used by it to fund the operations of the Unit. Upon the receipt of sufficient funding to operate the Unit, the State Highway Patrol shall place two primary troopers on assignment to the Honorary Liston B. Ramsey Mounted Horse/Caisson Patrol Unit. The State Highway Patrol shall not operate the Unit until it has acquired all the resources, equipment, supplies, and funds needed to implement this act.

The Department of Crime Control and Public Safety may adopt rules, including temporary rules, to govern the use and priority of assignment of the Honorary Liston B. Ramsey Mounted Horse/Caisson Patrol Unit.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 867

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

S867-ALH-23 [v.1]

SECTION 4. Sections 1 and 2 of this act become effective December 1, 2003 and apply to offenses committed on or after that date. The remainder of this act is effective when it becomes law."; and .

on page 1, line 6,
by deleting the period and adding the following:
"AND TO ESTABLISH THE HONORARY LISTON B. RAMSEY MOUNTED HORSE/CAISSON PATROL UNIT."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 327

Committee Substitute Favorable 4/24/03

Short Title: Increase Penalty For Certain Bomb Offenses. (Public)

Sponsors:

Referred to:

March 6, 2003

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE CRIMINAL PENALTY FOR DAMAGING A PUBLIC BUILDING WITH AN EXPLOSIVE OR INCENDIARY DEVICE OR MATERIAL.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 14-49 reads as rewritten:

"**§ 14-49. Malicious use of explosive or incendiary; punishment.**

(a) Any person who willfully and maliciously injures another by the use of any explosive or incendiary device or material is guilty of a Class D felony.

(b) Any person who willfully and maliciously damages any real or personal property of any kind or nature belonging to another by the use of any explosive or incendiary device or material is guilty of a Class G felony.

(b1) Any person who willfully and maliciously damages, aids, counsels, or procures the damaging of any church, chapel, synagogue, mosque, masjid, or other building of worship by the use of any explosive or incendiary device or material is guilty of a Class E felony.

(b2) Any person who willfully and maliciously damages, aids, counsels, or procures the damaging of the State Capitol, the Legislative Building, the Justice Building, or any building owned or occupied by the State or any of its agencies, institutions, or subdivisions or by any county, incorporated city or town, or other governmental entity by the use of any explosive or incendiary device or material is guilty of a Class E felony.

(c) Repealed by Session Laws 1993, c. 539, s. 1149."

SECTION 2. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: HB 327 2nd Edition

SHORT TITLE: Increase Penalties/Bomb Offenses

SPONSOR(S): Representative Goodwin

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring		Unable to determine exact amount.			
Judicial					
Recurring		Unable to determine exact amount.			
TOTAL EXPENDITURES:		Unable to determine exact amount.			
ADDITIONAL PRISON BEDS*		Unable to determine exact amount.			
POSITIONS: (cumulative)		Unable to determine exact amount.			

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction (DOC); Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY[1]: HB 327 (2nd Edition) amends G.S. 14-49 to make it a Class E felony for any person to willfully and maliciously damage, aid, counsel, or procure the damage by use of any explosive or incendiary device or material of the State Capitol, the Legislative Building, the Justice Building or any building owned or occupied by the State or any of its agencies, institutions or subdivisions or by any county, incorporated city or town or other governmental entity. Under current G.S. 14-49, it is a Class G felony for any person to willfully and maliciously damage any real or personal property of any kind or nature belonging to another by use of any explosive or incendiary device or material. Thus, some defendants who are currently charged with Class G felonies could be charged with Class E felonies under the bill.

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory Commission prepares prison population projections for each criminal penalty bill. The Commission assumes for each bill that increasing criminal penalties does not have a deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division (FRD) does not assume savings due to deterrent effects for this bill or other criminal penalty bills.

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

In FY 2001-2002 there was one conviction under G.S. 14-49(b), willful or malicious damage to real or personal property belonging to another by use of an explosive or incendiary device or material. If, for example, there were five convictions each year that would be reclassified as Class E offenses, this would result in the need for one additional prison bed the first year and two additional prison beds the second year. In FY 2001-2002, 49 percent of Class E felony offenders received intermediate punishment and 51 percent received an active sentence. The average sentenced imposed ranged from a minimum of 31 to a maximum of 47 months. In 2001-2002, the statewide average operating cost for one inmate was $62.43/day or $22,786.95/year.

[1] AOC Research and Planning Division

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

AOC data reveal 41 defendants were charged with the Class G felony under G.S. 14-49. Although, data are not available on the number of these defendants who could be charged for using explosive devices to damage governmental buildings as proscribed under the bill, it is plausible that some of these charges involved damage to governmental buildings. As a result, some of the 41 defendants charged with a Class G felony would be subject to the enhanced penalty (Class E felony). The AOC anticipates that some court workload would increase under this bill. Trials and pleas would demand more court time and preparation time due to the stiffer penalties under the bill.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Nicole Kreiser

and

Douglas R. Holbrook, Jr.

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 23, 2003

F

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
S.B. 568 A BILL TO BE ENTITLED AN ACT TO AMEND THE NORTH CAROLINA CONSTITUTION TO MAKE THE SUPERINTENDENT OF PUBLIC INSTRUCTION AN APPOINTEE OF THE GOVERNOR AND TO MAKE CORRESPONDING STATUTORY CHANGES.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☒ Without prejudice and recommendation that the bill be re-referred to the Committee on Education.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

S 2

SENATE BILL 568
Judiciary I Committee Substitute Adopted 4/17/03

Short Title: Superintendent of Pub. Instruction Appointed. (Public)

Sponsors:

Referred to:

March 31, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE NORTH CAROLINA CONSTITUTION TO MAKE THE SUPERINTENDENT OF PUBLIC INSTRUCTION AN APPOINTEE OF THE GOVERNOR AND TO MAKE CORRESPONDING STATUTORY CHANGES.

The General Assembly of North Carolina enacts:

SECTION 1. Section 4(2) of Article IX of the North Carolina Constitution reads as rewritten:

"(2) **Superintendent of Public Instruction.** The Superintendent of Public Instruction shall be the secretary and chief administrative officer of the State Board of Education. The Superintendent shall be appointed by the Governor."

SECTION 2. Section 7(1) of Article III of the North Carolina Constitution reads as rewritten:

"(1) **Officers.** A Secretary of State, an Auditor, a Treasurer, ~~a Superintendent of Public Instruction,~~ an Attorney General, a Commissioner of Agriculture, a Commissioner of Labor, and a Commissioner of Insurance shall be elected by the qualified voters of the State in 1972 and every four years thereafter, at the same time and places as members of the General Assembly are elected. Their term of office shall be four years and shall commence on the first day of January next after their election and continue until their successors are elected and qualified."

SECTION 3. G.S. 115C-18 reads as rewritten:

"**§ 115C-18. ~~Election~~ Appointment of Superintendent of Public Instruction.**

The Superintendent of Public Instruction shall be appointed by the Governor. ~~elected by the qualified voters of the State in 1972 and every four years thereafter at the same time and places as members of the General Assembly are elected. His term of office shall be four years and shall commence on the first day of January next after election and continue until his successor is elected and qualified.~~

~~If the office of the Superintendent of Public Instruction is vacated by death, resignation, or otherwise, it shall be the duty of the Governor to appoint another to serve until his successor is elected and qualified. Every such vacancy shall be filled by~~

~~election at the first election for members of the General Assembly that occurs more than 30 days after the vacancy has taken place, and the person chosen shall hold the office for the remainder of the unexpired term fixed in Article III, Sec. 7 of the Constitution of North Carolina. When a vacancy occurs in the office and the term expires on the first day of January succeeding the next election for members of the General Assembly, the Governor shall appoint to fill the vacancy for the unexpired term of the office. Upon the occurrence of a vacancy in the office for any of the causes stated herein, the Governor may appoint an interim officer to perform the duties of that office until a person is appointed or elected pursuant to Article III, Sec. 7 of the Constitution of North Carolina to fill the vacancy and is qualified.~~

~~The time of the election of the Superintendent of Public Instruction shall be in accordance with the provisions of Article 1 of Subchapter I of Chapter 163 of the General Statutes.~~

~~The election, term and induction into office of the Superintendent of Public Instruction shall be in accordance with the provisions of G.S. 147-4.~~"

SECTION 4. G.S. 147-3(c) reads as rewritten:

"(c) The general civil executive officers of this State are as follows:

(1) A Governor;
(2) A Lieutenant Governor;
(3) Private secretary for the Governor;
(4) A Secretary of State;
(5) An Auditor;
(6) A Treasurer;
(7) An Attorney General;
~~(8) A Superintendent of Public Instruction;~~
(9) The members of the Governor's Council;
(10) A Commissioner of Agriculture;
(11) A Commissioner of Labor;
(12) A Commissioner of Insurance."

SECTION 5. G.S. 147-4 reads as rewritten:

"**§ 147-4. Executive officers – election; term; induction into office.**

The executive department shall consist of a Governor, a Lieutenant Governor, a Secretary of State, an Auditor, a Treasurer, ~~a Superintendent of Public Instruction,~~ an Attorney General, a Commissioner of Agriculture, a Commissioner of Insurance, and a Commissioner of Labor, who shall be elected for a term of four years, by the qualified electors of the State, at the same time and places, and in the same manner, as members of the General Assembly are elected. Their term of office shall commence on the first day of January next after their election and continue until their successors are elected and qualified. The persons having the highest number of votes, respectively, shall be declared duly elected, but if two or more be equal and highest in votes for the same office, then one of them shall be chosen by joint ballot of both houses of the General Assembly. Contested elections shall be determined by a joint ballot of both houses of the General Assembly in such manner as shall be prescribed by law."

SECTION 6. G.S. 147-11.1 reads as rewritten:

"**§ 147-11.1. Succession to office of Governor; Acting Governor.**

(a) Lieutenant Governor. –

(1) The Lieutenant Governor-elect shall become Governor upon the failure of the Governor-elect to qualify. The Lieutenant Governor shall become Governor upon the death, resignation, or removal from office of the Governor. The further order of succession to the office of Governor shall be prescribed by law. A successor shall serve for the remainder of the term of the Governor whom he succeeds and until a new Governor is elected and qualified.

(2) During the absence of the Governor from the State, or during the physical or mental incapacity of the Governor to perform the duties of his office, the Lieutenant Governor shall be Acting Governor. The further order of succession as Acting Governor shall be prescribed by law.

(b) President of Senate, Speaker of the House and Other Officers. –

(1) If, by reason of failure to qualify, death, resignation, or removal from office, there is neither a Governor nor a Lieutenant Governor to discharge the powers and duties of the office of Governor, then the President of the Senate shall, upon his resignation as President of the Senate and as Senator, become Governor.

(2) If, at the time when under subdivision (1) of this subsection the President of the Senate is to become Governor, there is no President of the Senate, or the President of the Senate fails to qualify as Governor, then the Speaker of the House of Representatives shall, upon his resignation as Speaker and as Representative, become Governor.

(3) If, at the time when under subdivision (2) of this subsection the Speaker of the House of Representatives is to become Governor, there is no Speaker of the House of Representatives, or the Speaker of the House of Representatives fails to qualify as Governor, then that officer of the State of North Carolina who is highest on the following list, and who is not under disability to serve as Governor, shall, upon his resignation of the office which places him in the order of succession, become Governor: Secretary of State, Auditor, Treasurer, ~~Superintendent of Public Instruction,~~ Attorney General, Commissioner of Agriculture, Commissioner of Labor, and Commissioner of Insurance.

(c) Acting Governor Generally. –

(1) If, by reason of absence from the State or physical or mental incapacity, there is neither a Governor nor a Lieutenant Governor qualified to discharge the powers and duties of the office of Governor, then the President of the Senate shall become Acting Governor.

(2) If, at the time when under subdivision (1) of this subsection the President of the Senate is to become Acting Governor, there is no President of the Senate, or the President of the Senate fails to qualify

as Acting Governor, then the Speaker of the House of Representatives shall become Acting Governor.

(3) If, at the time when under subdivision (2) of this subsection the Speaker of the House of Representatives is to become Acting Governor, there is no Speaker of the House of Representatives, or the Speaker of the House of Representatives fails to qualify as Acting Governor, then that officer of the State of North Carolina who is highest on the following list, and who is not under disability to serve as Acting Governor, shall become Acting Governor: Secretary of State, Auditor, Treasurer, ~~Superintendent of Public Instruction,~~ Attorney General, Commissioner of Agriculture, Commissioner of Labor, and Commissioner of Insurance.

(d) Governor Serving under Subsection (c). – An individual serving as Acting Governor under subsection (c) of this section shall continue to act for the remainder of the term of the Governor whom he succeeds and until a new Governor is elected and qualified, except that:

(1) If his tenure as Acting Governor is founded in whole or in part upon the absence of both the Governor and Lieutenant Governor from the State, then he shall act only until the Governor or Lieutenant Governor returns to the State; and

(2) If his tenure as Acting Governor is founded in whole or in part upon the physical or mental incapacity of the Governor or Lieutenant Governor, then he shall act only until the removal of the incapacity of the Governor or Lieutenant Governor.

(e) Officers to Which Subsections (b), (c) and (d) Applicable. – Subsections (b), (c), and (d) of this section shall apply only to such officers as are eligible to the office of Governor under the Constitution of North Carolina, and only to officers who are not under impeachment by the House of Representatives at the time they are to become Governor or Acting Governor.

(f) Compensation of Acting Governor. – During the period that any individual serves as Acting Governor under subsection (c) of this section, his compensation shall be at the rate then provided by law in the case of the Governor."

SECTION 7. G.S. 163-1 is amended by deleting the entries in the table for "Superintendent of Public Instruction".

SECTION 8. G.S. 163-8 reads as rewritten:

"**§ 163-8. Filling vacancies in State executive offices.**

If the office of Governor or Lieutenant Governor shall become vacant, the provisions of G.S. 147-11.1 shall apply. If the office of any of the following officers shall be vacated by death, resignation, or otherwise than by expiration of term, it shall be the duty of the Governor to appoint another to serve until his successor is elected and qualified: Secretary of State, Auditor, Treasurer, ~~Superintendent of Public Instruction,~~ Attorney General, Commissioner of Agriculture, Commissioner of Labor, and Commissioner of Insurance. Each such vacancy shall be filled by election at the first election for members of the General Assembly that occurs more than 60 days after the

vacancy has taken place, and the person chosen shall hold the office for the remainder of the unexpired four-year term: Provided, that when a vacancy occurs in any of the offices named in this section and the term expires on the first day of January succeeding the next election for members of the General Assembly, the Governor shall appoint to fill the vacancy for the unexpired term of the office.

Upon the occurrence of a vacancy in the office of any one of these officers for any of the causes stated in the preceding paragraph, the Governor may appoint an acting officer to perform the duties of that office until a person is appointed or elected pursuant to this section and Article III, Section 7 of the State Constitution, to fill the vacancy and is qualified."

SECTION 9. G.S. 163-278.27(b) reads as rewritten:

"(b) Whenever the Board has knowledge of or has reason to believe there has been a violation of any section of this Article, it shall report that fact, together with accompanying details, to the following prosecuting authorities:

(1) In the case of a candidate for nomination or election to the State Senate or State House of Representatives: report to the district attorney of the prosecutorial district in which the candidate for nomination or election resides;

(2) In the case of a candidate for nomination or election to the office of Governor, Lieutenant Governor, Secretary of State, State Auditor, State Treasurer, ~~State Superintendent of Public Instruction,~~ State Attorney General, State Commissioner of Agriculture, State Commissioner of Labor, State Commissioner of Insurance, and all other State elective offices, Justice of the Supreme Court, Judge of the Court of Appeals, judge of a superior court, judge of a district court, and district attorney of the superior court: report to the district attorney of the prosecutorial district in which Wake County is located;

(3) In the case of an individual other than a candidate, including, without limitation, violations by members of political committees, referendum committees or treasurers: report to the district attorney of the prosecutorial district in which the individual resides; and

(4) In the case of a person or any group of individuals: report to the district attorney or district attorneys of the prosecutorial district or districts in which any of the officers, directors, agents, employees or members of the person or group reside."

SECTION 10. The amendments set out in Sections 1 and 2 of this act shall be submitted to the qualified voters of the State at a statewide general election on November 4, 2003, which election shall be conducted under the laws then governing elections in the State. Ballots, voting systems, or both may be used in accordance with Chapter 163 of the General Statutes. The question to be used in the voting systems and ballots shall be:

"[ ] FOR [ ] AGAINST

Constitutional amendments to make the Superintendent of Public Instruction an appointee of the Governor."

SECTION 11. If a majority of votes cast on the question are in favor of the amendments set out in Sections 1 and 2 of this act, the State Board of Elections shall certify the amendments to the Secretary of State. The Secretary of State shall enroll the amendments so certified among the permanent records of that office. The amendments set out in Sections 1 and 2 of this act shall become effective the earlier of January 1, 2005, and the date that a vacancy occurs in the office of Superintendent of Public Instruction. The amendments set out in Sections 1 and 2 of this act shall also apply to the 2004 election.

SECTION 12. Sections 3 through 9 of this act become effective only if the voters approve the constitutional amendments set out in Sections 1 and 2 of this act. If the voters approve the constitutional amendments, Sections 3 through 9 of this act shall become effective on the earlier of January 1, 2005, and the date that a vacancy occurs in the office of Superintendent of Public Instruction. If the voters approve the constitutional amendments, Sections 3 through 9 of this act shall also apply to the 2004 election.

SECTION 13. This act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: Senate Bill 568 (2nd Edition)

SHORT TITLE: Superintendent of Public Instruction

SPONSOR(S): Senator Gulley

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
EXPENDITURES					
General Fund	**$2.2 M - $5.2 M**	**$0**	**$0**	**$0**	**$0**

[See Assumptions and Methodology Section for detail]

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State Board of Elections

EFFECTIVE DATE: Act is effective upon enactment.

BILL SUMMARY: This bill calls for North Carolinian voters to vote in a statewide referendum on November 4, 2003, on whether or not to amend the North Carolina Constitution [Article IX, sec. 4(2), and Article III, sec. 7(1)] to make the Superintendent of Public Instruction an appointee of the Governor. The bill also includes corresponding statutory changes if the referendum passes. The proposed amendments, if approved by a majority of the voters, would become effective Jan. 1, 2005, or the date a vacancy occurs in the office, whichever occurs earlier. Also, if the proposed Constitutional amendments as written in sections 1 and 2 of the act are approved, they shall apply to the 2004 election. Likewise, sections 3 through 9 of the act shall apply to the 2004 election if the Constitutional amendments are approved.

ASSUMPTIONS AND METHODOLOGY:

There is a fiscal impact on the state to hold a statewide general election for a referendum on proposed Constitutional amendments on November 4, 2003. The extent of the fiscal impact depends upon whether the proposed referendum is placed on a ballot on the same date that local elections are to be conducted.

Generally, for statewide elections that occur during a regular election cycle, the counties bear the cost of conducting the elections. When there is a statewide issue, such as a referendum on amending the State Constitution on the ballot, the State Board of Elections (State Board) reimburses the counties for the cost of notices, advertisements, and publications concerning the referendum and for programming the voting machines. The State Board estimates its

reimbursement to the counties for the legal notices for referendum elections to be approximately $100,000 (100 counties x $1,000 average county cost). This is true even if the election is an off-cycle election.

Statewide elections are generally not held in odd-numbered years. Therefore during an off-cycle election year when a statewide referendum is on the ballot, the state pays the difference between what the county pays for its local election cost and the cost the county incurs for a statewide referendum. Accordingly, in addition to the cost of the legal notices, the State Board reimburses the counties for the cost of opening the precincts that would only be opened, even during municipal or other local elections, for voting on the proposed referendum. For those precincts, the costs include payment for all the precinct officials (a minimum of 3 for each precinct), rent for polling places, payment to county board members for their attendance at/on the absentee ballot meeting, election day, and canvass day and for any other cost incurred for opening the precinct.

The total estimated cost of a statewide election, which is what is required by this bill, is approximately $5.2 million based on the cost of the 2000 general election as reported by the counties to the State Board. If the counties or municipalities were to hold partisan elections also on November 4, 2003, then those county boards of election would bear the portion of the estimated $5.2 cost related to their respective elections. The State Board would bear the difference. This difference is estimated to be in the range of $2.2 to $3.3 million if all counties were conducting elections on November 4, 2003.

At the present time, the State Board does not know which precincts would be opened on November 4, 2003 for local issues. Therefore, the State Board cannot estimate with much accuracy how much this proposed statewide referendum would cost the state on November 4, 2003.

Additional factors that may impact the cost of this Constitutional amendment referendum on November 4, 2003 are: (1) If this referendum coincides with some municipal elections already scheduled to be conducted, some voters maybe required to go to their municipal precinct to vote for the municipal offices and also go to their county precinct (which would be different) to vote for this statewide referendum. Cost savings from being able to use the open precincts for municipal elections may not be actualized in those types of situations; and (2) There is the possibility that some county boards of elections could decide to combine precincts for this one election only and would need to send notice by first class mail to each affected voter. Cost obviously would be dependent upon the number affected.

If the voters approve the Constitutional amendments, then there would be a loss of revenue to the General Fund of the filing fee the nominees for Superintendent of Public Instruction currently pay. The filing fee as set in statute is one percent (1%) of the annual salary of the office sought. In the 2000 general election, the filing fee for State Superintendent was $1,003 per nominee. The total amount of filing fees not collected for candidates for Superintendent of Public Instruction for the 2004 election would be dependent upon the number of nominees filing.

SOURCES OF DATA: State Board of Elections

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Kathie Austin

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

DATE: July 9, 2003

Public Schools of North Carolina

State Board of Education
Phillip J. Kirk, Jr., Chairman

www.ncpublicschools.org

Department of Public Instruction
Michael E. Ward, State Superintendent

April 17, 2003

MEMORANDUM

To: MEMBERS OF THE NORTH CAROLINA GENERAL ASSEMBLY

From: Phillip J. Kirk, Jr. PJK
Chairman of the NC State Board of Education

Michael E. Ward MEW
Superintendent of Public Instruction

Subject: Appointed State Superintendent

Following a lengthy discussion regarding several legislative issues during the April 2003 State Board of Education meeting, members of the Board endorsed the concept of the appointed position of State Superintendent of Public Instruction. This action was consistent with positions taken by the State Board of Education in previous years when the General Assembly was considering proposals to change the state's education governance structure.

The SBE unanimously voted to support the proposal to amend the State Constitution to make the Superintendent of Public Instruction an appointed position. In addition, the State Superintendent also supports this change.

We sincerely hope that this information will be of assistance to you as you continue to deliberate this issue.

PJKjr./jww

c Members of the North Carolina State Board of Education

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____ DATE 7-9-03

S. B. No. 568 Amendment No. _____
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.)
) _____
Sen.)

moves to amend the bill on page 1, lines 3 and 4

( ) WHICH CHANGES THE TITLE

by deleting the term "APPOINTEE OF THE GOVERNOR" and substituting the term "APPOINTIVE POSITION".

SIGNED _____

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. _____ DATE _____

S. B. No. 568 (2nd) Amendment No. _____
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

Rep.) Michaux
Sen.)

moves to amend the bill on page 1, lines 10 & 22

( ) WHICH CHANGES THE TITLE

by deleting "appointed by the Governor." and substituting "an appointive position." (each time it appears)

and on page 5, line 44,
by rewriting that line to read:
"an appointive position."

SIGNED _____

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 831*

Committee Substitute Favorable 5/20/03
Committee Substitute #2 Favorable 7/9/03
PROPOSED COMMITTEE SUBSTITUTE H831-CSSB-46 [v.2]

7/16/2003 9:27:03 AM

Short Title: Coastal Recreational Fishing License/Fund. (Public)

Sponsors:

Referred to:

April 2, 2003

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE AND A MARINE RESOURCES RESTORATION FUND TO RESTORE, PROTECT, AND ENHANCE THE MARINE RESOURCES OF THE STATE.

Whereas, the State of North Carolina has one of the most diverse fisheries in the United States; and

Whereas, the General Assembly recognizes that for many citizens fishing is an important recreational activity and that coastal recreational fishing is a source of great personal enjoyment and satisfaction; and

Whereas, the General Assembly recognizes the importance of providing plentiful fishery resources to maintain and enhance tourism as a major contributor to the economy of the State; and

Whereas, the General Assembly recognizes that commercial fishermen perform an essential function by providing wholesome food for the citizens of the State, nation, and world, and thereby properly earn a livelihood; and

Whereas, the General Assembly recognizes the economic contribution and important heritage of traditional full-time and part-time commercial fishing; and

Whereas, the General Assembly recognizes the need to protect our coastal fishery resources and to balance the commercial and recreational interests through better management of these resources; and

Whereas, the General Assembly is committed to the continued viability of both recreational and commercial fishing industries in the State; and

Whereas, the General Assembly intends that the commercial fishing industry be allowed to continue to take fish by means of all methods traditionally employed in commercial fishing operations, including the use of nets and trawls; and

Whereas, the General Assembly finds that in order to protect coastal fishery resources, it is essential that the recreational as well as the commercial fishing sectors provide data on use of fishery resources for the development of scientifically valid plans to manage fishery resources; and

Whereas, the General Assembly finds that it is essential to the success of efforts to better manage fishery resources that both the recreational and commercial fishing sectors are involved in and support these efforts; and

Whereas, management of marine resources can achieve significant restoration of stocks as demonstrated by the role regulation of overfishing has played in restoring stocks of species such as striped bass; and

Whereas, implementing a system for licensing coastal recreational fishers and establishing a fund containing revenue generated by the licensing system would enable the Division of Marine Fisheries to better disseminate information to and gather information from recreational fishers, who are the largest marine resources user group in our State, and would enable the Division to better manage the marine resources of the State through habitat protection and research; and

Whereas, an objective poll conducted by North Carolina State University found that almost 80% of recreational fishers in North Carolina support the establishment of a system for licensing coastal recreational fishing, with the revenues from the license to be used to manage the marine resources of the State; and

Whereas, recreational fishers should help pay for the fishery regulation and management efforts of the State and should have a voice in this regulation and management; and

Whereas, North Carolina is the only coastal state between Delaware and Texas that is not benefiting from a system for licensing coastal recreational fishing; and

Whereas, the establishment of a system for licensing coastal recreational fishing and the revenue that such a license would generate for the protection, restoration, and enhancement of the marine resources of the State offer the best hope for the long-term health of the coastal tourism, boating, and fishing industries of North Carolina; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 113 of the General Statutes is amended by adding two new Articles to read:

"Article 14B.

"Coastal Recreational Fishing Licenses.

"**§ 113-174. Definitions.**

As used in this Article:

(1) 'Commission' means the Marine Fisheries Commission.

(2) 'CRFL' means Coastal Recreational Fishing License.

(3) 'Division' means the Division of Marine Fisheries in the Department of Environment and Natural Resources.

(4) 'North Carolina resident' means an individual who is a resident within the meaning of G.S. 113-130(4).

(5) 'RCGL' means Recreational Commercial Gear License.

(6) 'Recreational fishing' means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, by any means:
a. That does not constitute a commercial fishing operation as defined in G.S. 113-168.
b. Except as provided in G.S. 113-261.
(7) 'RSCFL' means Retired Standard Commercial Fishing License issued pursuant to G.S. 113-168.3.
(8) 'SCFL' means Standard Commercial Fishing License issued pursuant to G.S. 113-168.2.

"**§ 113-174.1. General provisions governing recreational licenses.**

(a) License Required to Engage in Recreational Fishing. – It is unlawful for any individual to engage in recreational fishing in coastal fishing waters without holding a license required by this Article. It is unlawful for any individual to engage in recreational fishing without complying with the provisions of this Article and rules adopted by the Commission under this Article.

(b) Sale of Fish Prohibited. – A license issued under this Article does not authorize an individual who takes or lands any species of fish under the authority of the Commission to sell, offer for sale, barter, or exchange the fish for anything of value. Except as provided in G.S. 113-168.4, it is unlawful for any individual who takes or lands any species of fish under the authority of the Commission by any means to sell, offer for sale, barter, or exchange these fish for anything of value.

(c) Assignment and Transfer Prohibited. – Except as provided in G.S. 113-174.3(e)(1), it is unlawful to buy, sell, lend, borrow, assign, or otherwise transfer a license issued under this Article or to attempt to buy, sell, lend, borrow, assign, or otherwise transfer a license issued under this Article.

(d) Format. – A license issued under this Article shall be issued in the name of the applicant. A license shall show the type of license; the name, mailing address, physical or residence address, and date of birth of the licensee; the date on which the license is issued; the date on which the license expires; and any other information that the Commission or the Division determines to be necessary to accomplish the purposes of this Subchapter.

(e) Licenses Available for Inspection. – It is unlawful for any individual to engage in recreational fishing in coastal fishing waters in the State without having ready at hand for inspection all licenses required under this Article. It is unlawful for an individual to refuse to exhibit any license required by this Article upon the request of an inspector or other law enforcement officer authorized to enforce federal or State laws, regulations, or rules relating to marine fisheries.

(f) Replacement Licenses. – The Division shall issue a replacement license to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any office of the Division or by mail to the Morehead City office of the Division. A licensee may use a

copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed five dollars ($5.00), that compensates the Division for the administrative costs associated with issuing the replacement license.

(g) No Dual Residency. – It is unlawful for any individual to hold any license issued under this Article to the individual as a North Carolina resident if that individual holds any commercial or recreational fishing license issued by another state to the individual as a resident of that state.

(h) Limitations on Eligibility. – An individual is not eligible to obtain a license under this Article if, at the time the individual applies for the license, any other license or endorsement issued to the individual under this Article is suspended or revoked. An individual is not eligible to obtain a license under this Article if, within the three years prior to the date of application, the individual has been determined to be responsible for four or more violations of State laws, regulations, or rules governing the management of marine and estuarine resources. An applicant for a license under this Article shall certify that the applicant has not been determined to be responsible for four or more violations of State laws, regulations, or rules governing the management of marine and estuarine resources during the previous three years. The Division may also consider violations of federal law and regulations governing the management of marine and estuarine resources in determining whether an applicant is eligible for a license.

(i) Cancellation. – The Division may cancel a license issued on the basis of an application that contains false information supplied by the applicant. A cancelled license is void from the date of issuance. An individual in possession of a cancelled license shall surrender the cancelled license to the Division. It is unlawful to refuse to surrender a cancelled license upon demand of any authorized agent of the Division.

(j) Reporting Requirements. – The holder of a license issued under this Article shall comply with the biological data sampling and survey programs of the Commission and the Division.

(k) Confidentiality of Information. – Information collected pursuant to this Article, including the names and addresses of licensed individuals, is confidential and is not a public record under Chapter 132 of the General Statutes.

"**§ 113-174.2. Coastal Recreational Fishing License.**

(a) License Required. – Except as otherwise provided in this Article, it is unlawful for any individual to engage in recreational fishing in coastal fishing waters by means of recreational gear without holding a CRFL issued under this section. It is unlawful for any individual licensed under this section or fishing under a CRFL to possess fish in excess of recreational size or possession limits.

(b) Purchase; Renewal. – Any license issued under this section may be purchased at designated offices of the Division or from the Division by mail. A license issued under subdivisions (1) and (2) of subsection (c) of this section may also be purchased through a license agent authorized under G.S. 113-174.5. Any license issued under this section may be renewed by mail.

(c) Types of CRFLs; Fees; Duration. – The Division shall issue the following CRFLs:

(1) Standard CRFL. – $10.00. This license is valid for a period of one year from the date of issuance.

(2) Ten-Day CRFL. – $5.00. This license is valid for a period of 10 days.

(3) Lifetime CRFL. – This license is valid for the lifetime of the licensee. The fee for the Lifetime CRFL, based on the age of the prospective licensee as of the date on which the application is filed with the Division, is:

a. Younger than 18 years of age $150.00

b. 18 years of age to younger than 62 years of age $200.00

(4) Disabled Individual CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is disabled as determined by the United States Social Security Administration. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the individual so long as the individual remains disabled.

(5) Disabled Veteran CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans Affairs. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the individual so long as the individual remains fifty percent (50%) or more disabled.

(6) Legally Blind Lifetime CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is legally blind. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the licensee.

(d) Exemptions. – An individual may engage in recreational fishing by means of recreational gear without holding a CRFL if the individual:

(1) Is under 16 years of age.

(2) Is 62 years of age or older.

(3) Holds a SCFL or a RSCFL.

(4) Holds a Lifetime Resident Comprehensive Fishing License under G.S. 113-271(d)(3) or a Lifetime Sportsman License under G.S. 113-270.1D(b).

(5) Is fishing from a public bridge.

(e) Notwithstanding the fee for the Standard CRFL specified in subdivision (1) of subsection (c) of this section, if the Commission finds that a state has established a coastal recreational fishing license fee that exceeds the fee for the Standard CRFL, the Commission may increase the fee for the Standard CRFL applicable to residents of that state to an amount equal to the fee a North Carolina resident is required to pay for a coastal recreational fishing license in that state. The action of the Commission to

increase a fee pursuant to this subsection is not subject to the provisions of Article 2A of Chapter 150B of the General Statutes. The action of the Commission to increase a fee pursuant to this subsection becomes effective on the date specified by the Commission.

"**§ 113-174.3. Recreational Commercial Gear License.**

(a) License Required. – Except as provided in subsection (e) of this section, it is unlawful for any individual to engage in recreational fishing by means of commercial fishing equipment or gear in coastal fishing waters without holding a RCGL. The RCGL entitles the licensee to use authorized commercial gear to take fish for personal use subject to recreational size and possession limits. It is unlawful for any individual licensed under this section or fishing under a RCGL to possess fish in excess of recreational size or possession limits.

(b) Authorized Commercial Gear. –

(1) The Commission shall adopt rules authorizing the use of a limited amount of commercial fishing equipment or gear for recreational fishing under a RCGL. The Commission may authorize the limited use of commercial gear on a uniform basis in all coastal fishing waters or may vary the limited use of commercial gear within specified areas of the coastal fishing waters. The Commission shall periodically evaluate and revise the authorized use of commercial gear for recreational fishing. Authorized commercial gear shall be identified by visible colored tags or other means specified by the Commission in order to distinguish between commercial gear used in a commercial fishing operation as defined in G.S. 113-168 and commercial gear used for recreational purposes.

(2) An individual who holds a RCGL may use up to 100 yards of gill net to take fish for recreational purposes. Two individuals who each hold a RCGL and who are fishing from a single vessel may use up to a combined 200 yards of gill net to take fish for recreational purposes. No more than 200 yards of gill net may be used to take fish for recreational purposes from a single vessel regardless of the number of individuals aboard the vessel who hold a RCGL.

(c) Purchase; Renewal. – A RCGL may be purchased at designated offices of the Division and from a license agent authorized under G.S. 113-174.5. A RCGL may be renewed by mail.

(d) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be thirty-five dollars ($35.00). The fee for a RCGL for an individual who is not a North Carolina resident shall be two hundred fifty dollars ($250.00).

(e) Exemptions. –

(1) An individual who is under 16 years of age may engage in recreational fishing by means of authorized commercial gear without holding a RCGL if the individual is accompanied by a parent, grandparent, or guardian who holds a valid RCGL or if the individual has in the

individual's possession a valid RCGL issued to the individual's parent, grandparent, or guardian.

(2) An individual may engage in recreational fishing for crabs by means of one or more crab pots attached to the shore along privately owned land or to a privately owned pier without holding a RCGL provided that the crab pots are attached with the permission of the owner of the land or pier.

(3) An individual who is on a vessel may engage in recreational fishing by means of authorized commercial gear without holding a RCGL if there is another individual on the vessel who holds a valid RCGL. This exemption does not authorize the use of commercial gear in excess of that authorized for use by the individual who holds the valid RCGL or, if more than one individual on the vessel holds a RCGL, in excess of that authorized for use by those individuals.

(4) An individual using nonmechanical means may take shellfish for personal use within the limits specified in G.S. 113-169.2(i) without holding a RCGL.

(5) An individual may take fish for recreational purposes by means of a gig without holding a RCGL.

"**§ 113-174.4. License agents.**

(a) The Secretary shall designate license agents for the Department. At least one license agent shall be designated for each county that contains or borders on coastal fishing waters. The Secretary may designate additional license agents in any county if the Secretary determines that additional agents are needed to provide efficient service to the public. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission.

(b) The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms, and other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence of misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by G.S. 114-15.1.

(c) A license agent may deduct a fee of six percent (6%) from the amount collected for each license.

"Article 14C.

"Marine Resources Restoration Fund.

"**§ 113-175. Definitions.**

As used in this section:

(1) 'Board of Trustees' means the Board of Trustees of the Fund.

(2) 'Fund' means the Marine Resources Restoration Fund.

(3) 'License revenues' means the net proceeds from the sale of licenses issued under G.S. 113-174.2 and interest earned from the investment of license proceeds. The term includes funds realized from the sale, lease, rental, or other grant of rights to real or personal property acquired or produced with license revenues and federal aid project reimbursements to the extent that license revenues originally funded the project for which the reimbursement is made.

"**§ 113-175.1. Marine Resources Restoration Fund.**

The Marine Resources Restoration Fund is established as a special nonreverting fund within the Department. License revenues shall be deposited in the Fund. The State Treasurer shall invest the assets of the Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3.

"**§ 113-175.2. Board of Trustees of the Marine Resources Restoration Fund.**

(a) Board of Trustees. – There is hereby established the Board of Trustees of the Marine Resources Restoration Fund. The Board of Trustees shall be independent, but for administrative purposes shall be located under the Department.

(b) Membership, Qualifications. – The Board of Trustees shall consist of seven members appointed to three-year terms as follows:

(1) One member appointed by the Governor to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(2) One member appointed by the Governor to a term that expires on July 1 of years that are evenly divisible by three.

(3) One member appointed by the Governor to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(4) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(5) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that are evenly divisible by three.

(6) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(7) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(c) Qualifications. – A person must hold a license issued under G.S. 113-174.2 at the time of appointment in order to be eligible for appointment to the Board of Trustees

under subsection (b) of this section. A person appointed under subsection (b) must continue to hold a license issued under G.S. 113-174.2 in order to remain eligible to serve on the Board of Trustees.

(d) Officers. – The Governor shall appoint the Chair and Vice-Chair of the Board of Trustees from among the persons appointed under subsection (b) of this section.

(e) Vacancies. – If a vacancy occurs for a member subject to appointment by the General Assembly upon the recommendation of the Speaker of the House of Representatives or the President Pro Tempore of the Senate, the vacancy shall be filled in accordance with G.S. 120-122. All other vacancies shall be filled by the appointing official in the original manner.

(f) Meetings; Frequency. – The Board of Trustees shall meet at least twice each year and may hold special meetings at the call of the Chair or a majority of the members. Four members of the Board of Trustees shall constitute a quorum for the transaction of business.

(g) Per Diem and Expenses. – The Trustees shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5. Per diem, travel, and subsistence expenses shall be paid from the Fund.

"**§ 113-175.3. Allocation of moneys from the Fund.**

The Secretary shall disburse moneys from the Fund only upon written direction from the Board of Trustees. The Board of Trustees shall use moneys that accrue to the Fund in each fiscal year for the administration of the provisions of Subchapter IV of Chapter 113 of the General Statutes related to marine fisheries as follows:

(1) Resource and habitat enhancement. – Not less than thirty-five percent (35%) of the moneys in the Fund shall be used for resource and habitat enhancement, including, but not limited to, artificial reef construction, restoration and enhancement of submerged aquatic vegetation, acquisition of land or an interest in land that provides for the preservation of critical fisheries habitat, and studies used in the development of a Fishery Management Plan or a Coastal Habitat Protection Plan.

(2) Marine fisheries research. – Not less than thirty-five percent (35%) of the moneys in the Fund shall be used for marine fisheries research, including, but not limited to, life history studies of commercially or recreationally significant marine and estuarine species or fisheries, sampling and statistical studies, data collection and analysis, fisheries habitat studies, commercial and recreational discard mortality studies, and studies used in the development of a Fishery Management Plan or a Coastal Habitat Protection Plan.

(3) Administration. – Not more than fifteen percent (15%) of the moneys, exclusive of the license agent fees, in the Fund shall be used for administrative costs.

(4) Public education and information. – Not less than five percent (5%) but no more than ten percent (10%) of the moneys in the Fund shall be used for public education and information.

(5) Grants. – Not more than five percent (5%) of the moneys in the Fund shall be used to fund grants for coastal fishing programs, projects, and scholarships.

"**§ 113-175.4. Report.**

The Chair of the Board of Trustees shall submit to the Joint Legislative Commission on Seafood and Aquaculture and the Joint Legislative Commission on Governmental Operations by September 30 of each year a report on the Fund that shall include the source and amounts of all moneys credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 2. G.S. 113-168(1) reads as rewritten:

"(1) 'Commercial fishing operation' means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, either with the use of commercial fishing equipment or gear, or by any means if the purpose of the taking is to obtain fish for sale. Commercial fishing operation does not include (i) the taking of fish as part of a recreational fishing tournament, unless commercial fishing equipment or gear is ~~used or~~ used, (ii) the taking of fish under a ~~RCGL.~~ RCGL, or (iii) the taking of fish as provided in G.S. 113-261."

SECTION 3. The catch line of G.S. 113-168.1 reads as rewritten:

"**§ 113-168.1. General provisions governing commercial licenses and endorsements.**"

SECTION 4. G.S. 113-168.1(a) reads as rewritten:

"(a) Duration, Fees. – ~~Except as provided in G.S. 113-173(f), all~~ All licenses and endorsements issued under this Article expire on the last day of the license year. An applicant for any license or endorsement shall pay the full annual fee at the time the applicant applies for the license or endorsement regardless of when application is made."

SECTION 5. G.S. 113-168.1(f) reads as rewritten:

"(f) License Issuance and Renewal. – ~~Except as provided in G.S. 113-173(d), the~~ The Division shall issue licenses and endorsements under this Article to eligible applicants at any office of the Division or by mail from the Morehead City office of the Division. A license or endorsement may be renewed in person at any office of the Division or by mail to the Morehead City office of the Division. Eligibility to renew an expired SCFL shall end one year after the date of expiration of the SCFL."

SECTION 6. G.S. 113-172 is repealed.

SECTION 7. G.S. 113-173 is repealed.

SECTION 8. G.S. 143B-289.52(a) is amended by adding a new subdivision to read:

"(13) To adopt rules to define fishing gear as either recreational gear or commercial gear for purposes of implementing Article 14B of Chapter 113 of the General Statutes."

SECTION 9. In order to provide for a system of staggered three-year terms for members of the Board of Trustees of the Marine Resources Restoration Fund

established by G.S. 113-175.2, as enacted by Section 1 of this act, the following provisions shall apply:

(1) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(1) shall be four years and three months and shall expire on July 1, 2009.

(2) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(2) shall be two years and three months and shall expire on July 1, 2007.

(3) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(3) shall be three years and three months and shall expire on July 1, 2008.

(4) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(4) shall be four years and three months and shall expire on July 1, 2009.

(5) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(5) shall be two years and three months and shall expire on July 1, 2007.

(6) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(6) shall be three years and three months and shall expire on July 1, 2008.

(7) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(7) shall be four years and three months and shall expire on July 1, 2009.

SECTION 10. The first report required by G.S. 113-175.4, as enacted by Section 1 of this act, shall be submitted by September 30, 2005.

SECTION 11. Of the funds appropriated to the Department of Environment and Natural Resources by S.L. 2003-284, the Department may use up to one million one hundred thousand dollars ($1,100,000) for the 2003-2004 fiscal year and up to two million dollars ($2,000,000) for the 2004-2005 fiscal year to implement the provisions of this act.

SECTION 12. Notwithstanding G.S. 113-175.3, as enacted by Section 1 of this act, during the 2003-2004 fiscal year and the 2004-2005 fiscal year, the Secretary of Environment and Natural Resources may disburse moneys from the Marine Resources Restoration Fund to pay for costs incurred in implementing the provisions of this act.

SECTION 13. Unless otherwise expressly provided, every agency to which this act applies shall adopt rules to implement the provisions of this act only in accordance with the provisions of Chapter 150B of the General Statutes. This act constitutes a recent act of the General Assembly within the meaning of G.S. 150B-21.1. Every agency to which this act applies that is authorized to adopt rules to implement the provisions of this act may adopt temporary rules to implement the provisions of this act. This section shall continue in effect until all rules necessary to implement the provisions of this act have become effective as either temporary rules or permanent rules.

SECTION 14. If any section or provision of this act is declared unconstitutional or invalid by the courts, the unconstitutional or invalid section or

provision does not affect the validity of this act as a whole or any part of this act other than the part declared to be unconstitutional or invalid.

SECTION 15. Sections 8, 11, 12, 13, 14, and 15 of this act are effective when this act becomes law. All other sections of this act become effective March 1, 2005.

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note.]

DATE: July 15, 2003

TO: Representative Gibson

FROM: Stephanie Schmitt
Fiscal Research Division

RE: HB 831 PCS 46 v.2 - Coastal Recreational Fishing License

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
Marine Resources Restoration Fund License Revenue	$0	$3,383,133	$9,666,096	$9,666,096	$9,666,096
DMF Agency Receipts (RCGL fee change)	0	(3,725)	(11,174)	(11,174)	(11,174)
EXPENDITURES (Agency Funds & General Fund)					
Wildlife Res. Comm.	500,000	-	-	-	-
DMF System Development and Administration	595,067	1,091,288	1,277,647	1,288,917	1,300,749
DMF Enforcement	0	842,200	454,950	472,950	491,850
Total Cost	**1,095,067**	**1,933,488**	**1,732,597**	**1,761,867**	**1,792,599**
TOTAL REQUIRED FUNDS **	**$1,095,067**	**$1,933,488**	**$454,950**	**$472,950**	**$491,850**
POSITIONS: (cumulative)	2.0	13.2	16.0	16.0	16.0

(continued on next page)

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission

EFFECTIVE DATE: March 1, 2005. Section 8, 11, 12, 13 and 14 are effective when the act becomes law.

FY03-04 and FY 04-05 include start-up funds to plan, implement, and begin enforcement of the program before revenues are realized. Then revenues generated from the licensing program will be able to recover approximately $500,000 in administrative costs in the second year. DENR is authorized to use funds appropriated in the 2003-04 biennial budget to implement the program. See page 10 of this note for details.

BILL SUMMARY: The bill establishes general provisions governing a Coastal Recreational Fishing License (CRFL) and sets out a fee structure for the sale of these licenses. License fee exemptions are granted for certain classes of individuals. Information collected about applicants is confidential and is not subject to the public records law. It creates a Marine Resources Restoration Fund in the Department of the Environment and Natural Resources (DENR) to hold the proceeds from the sale of CRFL's, and provides for the allocation of the proceeds. The bill also recodifies the Recreational Commercial Gear License (RCGL) without substantive changes.

ASSUMPTIONS AND METHODOLOGY:

Revenues: The amount of revenue raised by the CRFL depends on two factors: the number of licenses sold and the type of license sold. At this time, there is no precise count of the number of recreational anglers in North Carolina. The best estimate available is based on an annual Marine Recreational Fishery Statistics Survey compiled by the Division of Marine Fisheries. The surveys include direct interviews with approximately 20,000 anglers at various public access points along the North Carolina coast, as well as telephone interviews with 20,000 additional, randomly selected persons.

Information obtained through the surveys is used to estimate the total number of marine or coastal anglers in North Carolina, the total number of coastal fishing trips annually and the mode of fishing (i.e. from a man-made structure, beach or bank, charter/head boat or private boats). The following two tables summarize the results of the annual survey over the last six years:

Table 1: Estimated Number of Marine Recreational Anglers in NC, 1997-2002

	Coastal Residents	Non-Coastal	Out-of State	Total Anglers
1997	329,909	166,104	859,110	1,355,123
1998	312,246	143,355	635,197	1,090,798
1999	324,091	164,398	804,561	1,293,051
2000	392,131	215,815	1,203,779	1,811,725
2001	448,272	248,311	1,281,925	1,978,508
2002	409,601	224,744	1,120,938	1,755,283
6 Year Average	377,268	199,325	1,009,280	1,547,415
Percentage of Total	24%	12%	64%	

Table 2: Estimated Marine Recreational Fishing Trips in NC, 1997-2002

	Beach/Bank	Charter Boats	Man-Made	Private Boats	Total
1997	1,772,884	295,820	1,252,716	1,570,089	4,891,509
1998	1,446,621	241,001	1,135,830	1,638,009	4,461,461
1999	1,459,571	221,369	1,013,535	1,860,564	4,555,039
2000	2,136,284	183,219	1,665,748	2,105,734	6,090,985
2001	2,409,723	197,710	1,809,738	2,142,621	6,559,792
2002	1,973,242	181,073	1,396,937	2,011,633	5,562,885
6 Year Average	1,885,088	204,874	1,404,358	1,951,712	5,353,612
Percentage of Total	34%	4%	26%	36%	

Based on the six-year average number of estimated marine anglers (Table 1), there are 1,547,415 potential licensees. However, the bill provides for a number of general exemptions and individual licenses at no charge, reducing the number of potential anglers subject to the Coastal Recreational Fishing License fees. Table 3 outlines the adjustments necessary to estimate the number of anglers who may be required to purchase a license.

Table 3: Calculation of Adjusted Total Number of Anglers

Total Number of Anglers, 6 year average:		**1,547,415**
General Exemptions, No Charge Licenses, Attrition		
1. Standard/Retired Standard Commercial Fishing License (SCFL/RSCFL count for FY2002. FY2003 sales are expected to be similar.)	7,307	
2. Wildlife Resources Commission – (Lifetime Resident Comprehensive Fishing License and Lifetime Sportsman Combination License holders minus infant license holders; assume 90% are coastal anglers)	102,015	
Less SCFL/RSCFL, WRC Lifetime		109,322
Subtotal		**1,438,093**
3. Permanently Handicapped/Disabled, Disabled Veteran, Legally Blind, Attrition (Based on WRC disabled and blind licenses; assume 3% of anglers subtotal to capture persons eligible for no charge licenses and possible attrition)	43,143	
4. Persons < 16 Years of Age (2002 North Carolina Marine Recreational Fishery Statistics Survey indicates 7.07% of NC coastal anglers are under the age of 16; assume 7% of anglers subtotal will fall under this exemption)	100,666	
5. Persons Fishing from Public Bridges (Marine Fisheries estimates only 3 or 4 major bridges from which anglers recreationally fish. Currently a permit or license is not required to fish from public bridges; no impact is expected.)	0	
Less Other General Exemptions, No Charge Licenses, Attrition		143,809
Adjusted Total Number of Anglers		**1,294,284**

According to the Division of Marine Fisheries, applying the percentages associated with each type of fishing trip (Table 2) to the adjusted total number of anglers (Table 3) provides a rough estimate of the number of anglers engaging in that particular mode of fishing. Table 4 provides a breakdown of total anglers by type of fishing trip.

Table 4: Estimated Marine Recreational Anglers by Type of Fishing Trip

	Beach/Bank	Charter Boats	Man-Made	Private Boats	Total
Adjusted for no charge licenses, general exemptions and attrition	448,003	48,690	333,754	463,836	**1,294,284**

The estimated revenue from the sale of the Coastal Recreational Fishing Licenses as outlined in the bill follows:

Table 6: Estimated Revenue Generated by Coastal Recreational Fishing License

License Type	License Fee	Estimated Sales	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Annual/Standard CRFL (40%)	$10.00**	512,536	$0	$1,793,877	$5,125,362	$5,125,362	$5,125,362
10 Day CRFL (60%)	5.00	768,805	0	1,345,407	3,844,021	3,844,021	3,844,021
		1,281,341					
Lifetime CRFL							
< 18 years of age	150.00	4,271	0	177,010	640,670	640,670	640,670
18 to 62 years of age	200.00	3,365	0	185,950	673,027	673,027	673,027
≥ 62 years of age	exempt	5,307	0	0	0	0	0
		12,943					
Gross Revenue from CRFL Receipts			**$0**	**$3,599,078**	**$10,283,080**	**$10,283,080**	**$10,283,080**
Less License Agent Fee (6%)			($0)	($215,945)	($616,985)	($616,985)	($616,985)
Net Revenue from CRFL Receipts -- Credited to the Marine Resources Restoration Fund			**$0**	**$3,383,133**	**$9,666,096**	**$9,666,096**	**$9,666,096**

** Note: The legislation allows for North Carolina to charge out-of-state residents a fee equal to the amount a North Carolina resident would have to pay for a Standard coastal recreational fishing license in that state. Some states charge more, while other states charge less, than the $10 fee identified in the legislation. It cannot be determined how much additional revenue will be generated by charging some applicants higher fees than identified in the legislation, nor how other state fees will change over time. **Fees generated from out-of-state residents purchasing Annual/Standard CRFLs would result in revenues higher than shown in Table 6 above.**

The revenue estimate is based on the following assumptions:

1. License sales are assumed to begin January 1, 2005, two months prior to the CRFL effective date of March 1, 2005. Consequently, license revenue for the last six months of the 2004-05 fiscal year is estimated to be 35% of the annual amount to align with current Marine Fisheries license sales in January - June. Even though the total number of anglers varies from year, the average has remained stable at approximately 1.4 million anglers since 1993. Consequently, no growth is assumed in projecting future revenues.

2. Lifetime licenses are assumed to be 1% of total sales. The sale of lifetime licenses sold to people under age 70 accounted for 1.23% of total Wildlife Resources Commission (WRC) license sales in recent years. The sale of lifetime CRFLs is anticipated to account for a lower percentage of total sales than Wildlife's experience, because HB 831 exempts persons holding a WRC lifetime license from the CRFL requirement, but does not exempt persons who hold a lifetime CRFL from the WRC freshwater license requirement. Consequently, lifetime anglers who fish in both fresh and salt water are likely to purchase the WRC license. However, the lifetime CRFL is cheaper than the WRC lifetime license so it is assumed that a small percentage of coastal anglers will purchase the cheaper license.

3. The distribution of lifetime CRFL sales among the various age groups is based on the sale of WRC lifetime licenses to similar age groups.

Age Distributions	Percent of total lifetime sales
< 18 years of age	33%
18 to 62 years of age	26%
≥ 62 years of age	41%

4. The distribution of license sales is based on the following assumptions: 1) 90% of the ten-day licenses will be sold to out-of-state anglers and 10 % sold to NC residents, and 2) 90% of the standard or annual licenses will be sold to NC residents and 10 % sold to out-of-state anglers (from whom the additional revenues discussed in the note above may be realized.)

Other Revenue Issues

House Bill 831 also changes the amount of the fee to be retained by authorized license agents from the sale of Recreational Commercial Gear License (RCGL). Currently, agents are authorized to charge $1.00 in addition to the NC resident license fee of $35.00. The Division of Marine Fisheries retains the entire $35.00 license fee. The bill changes this practice to reimburse the agent six percent (6%) of the $35.00 license fee or $2.10 per license sold, thereby reducing the amount of revenue going to the Division. In 2002, agents sold a total of 5,321 RCGLs. Assuming that roughly the same number of licenses will be sold in subsequent years, **the Division will lose $11,174 in RCGL revenues annually.** Losses for the last four months of FY 2004-05 are adjusted appropriately.

Expenditures:

Wildlife Resources Commission

The Division of Marine Fisheries would like to take advantage of the automated licensing system operated by the Wildlife Resources Commission and the large network of WRC license agents to sell CRFLs. The WRC currently has an online license sales option available to customers only; however, a new WRC Internet sales system is scheduled to be released next year, and this medium will process *all* customer and agent license sales at that time.

The new Internet-based system can handle the required changes for the CRFLs with more flexibility than the current system. To accommodate the additional license types, the Wildlife system will require some modification and upgrades. The WRC estimates the cost for software modification, system upgrades to accommodate additional license agents and increased volume, training costs, and point of sale computer equipment provided to any new agent selling the CRFLs to be approximately $500,000. Funds are needed in the 2003-04 fiscal year to ensure that the system is complete and operational prior to March 1, 2005, when the CRFL goes into effect.

Division of Marine Fisheries

Administration: Integration of the Marine Fisheries licensing system with the Wildlife licensing system will also require upfront General Fund expenditures for system development. The Division estimates that $1 Million will be required in the 2003-04 and 2004-05 fiscal years for additional hardware, software development and related information technology expenses. Funds are needed starting in the 2003-04 fiscal year to ensure that the system is complete and operational prior to March 1, 2005, when the CRFL goes into effect.

The Division also anticipates requiring additional staff and operating support to administer the CRFL program. An administrative officer will oversee management of the license program and will serve as the primary contact with the WRC. A computer programmer will be responsible for system maintenance, quality control and data transfer. An accounting clerk will be responsible for tracking license sales, deposits and auditing sales records. Three processing assistants will issue licenses in-person and by phone, handle questions concerning license requirements and regulations, and data entry in the Morehead and Columbia offices. Operating support is reduced proportional to effective starting dates.

In addition, the Division will pay a per transaction fee to the Wildlife Resources Commission to cover the Commission's costs for online support, training, technical support, hardware maintenance, and communication charges associated with the transfer of data to and from agents. The actual transaction fee will be negotiated between DMF and WRC based on expected volume of license sales, technical specifications, and types of licenses sold online (see Technical Considerations #2.)

The WRC has estimated the transaction fee per CRFL sold would be $2.00 for licenses sold by licensed agents. Fiscal Research projects this fee can be reduced for transactions occurring through the online sales option due to the equipment and technology used for bulk online transactions. In order to estimate a possible online fee amount, data were gathered on industry online transaction costs and comparable WRC transaction costs occurring online today. For direct customer sales via the Internet, the WRC pays an online transaction fee of 2% of the total

cost of the transaction (i.e. $0.20 for a $10 license) for credit card processing. There is also a $0.41 ITS processing fee associated with each transaction that goes through the Common Payment Service. Fulfillment costs will also be calculated into the transaction fee, but because the new license processing will change, no exact estimate is available yet. This note assumes fulfillment costs of $0.20 per license sold for license stock and processing time. The table below shows the online transaction costs associated with the CRFL.

Table 7: Online Transaction Fees Associated with CRFL Sales

	Annual	10-Day	Lifetime (<18 yrs)	Lifetime (18-62 yrs)	Lifetime (≥62 yrs)
Total Proposed CRFLs	512,536	768,804	4,271	3,365	5,307
Proposed Fee Amount	$10	$5	$150	$200	$0
2% Credit Card Fee	$0.20	$0.10	$3.00	$4.00	$0
Subtotal:	$102,507	$76,880	$12,813	$13,461	$0
$0.41 ITS Fee	$210,140	$315,210	$1,751	$1,380	$0
$0.20 Fulfillment Cost	$102,507	$153,761	$854	$673	$0
Totals	**$415,154**	**$545,851**	**$15,419**	**$15,513**	**$0**
Total Transaction Fees	**$991,937**				
Total CRFLs	**1,288,977**	(total less ≥62 yrs old exemption)			
Average Fee / CRFL	**$0.77**				

The number of agent in-person sales vs. online sales will depend on the timing of the system modifications and how quickly CRFLs can be sold only via the Internet. This fiscal note assumes all software and technical changes will be in place prior to January 1, 2005, when CRFL sales will begin. The WRC is experiencing some movement toward its current Internet sales option with 10% of license sales occurring online. Once the new Internet system is in place, 100% of license sales will occur online, whether via an agent or direct customer sales. The table above projects transaction fees at 100% online sales.

The administration estimate is based on the following assumptions:

1. All CRFL license types (annual, 10-day, and lifetime) will be sold via the online Internet sales option.

2. Transaction costs for the last six months of FY 2004-05 are estimated to be 35% of the annual amount to align with typical license sales from January to June.

3. All licenses sold are estimated to be online sales at a $0.77 per license transaction rate.

4. For the purposes of this analysis, the administrative officer and computer programmer positions are assumed to be effective August 1, 2003, to allow for program and system preparation. The remaining four positions are assumed to be effective September 1, 2004, or six months prior to the effective date of the licenses to allow for recruitment and training.

The total estimated budget for Marine Fisheries to administer the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 8: Division of Marine Fisheries, Budget Requirements for Administration

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Administrative Personnel					
Administrative Officer II	36,892	42,217	44,328	46,544	48,870
Applications Analyst Programmer II	58,175	66,573	69,901	73,396	77,065
Accounting Clerk IV	0	22,080	27,795	29,185	30,644
Processing Assistant IV (3 FTEs)	0	66,240	83,386	87,555	91,933
Total Salaries and Benefits	95,067	197,110	225,410	236,680	248,512
Positions	*2*	*5.2*	*6.0*	*6.0*	*6.0*
Operating Expenses for Admin.	0	47,000	21,000	21,000	21,000
Computer Expenses	500,000	500,000	39,300	39,300	39,300
Transaction Fee Paid to WRC	0	347,178	991,937	991,937	991,937
Total Requirements	**$595,067**	**$1,091,288**	**$1,277,647**	**$1,288,917**	**$1,300,749**

Enforcement: HB 831 makes it unlawful for any person to engage in recreational fishing without first holding a Coastal Recreational Fishing License. The Division of Marine Fisheries' Marine Patrol Section has the duty of enforcing all laws relating to conservation of marine and estuarine resources (G.S. 113-8). According to DMF, a total of 6,336 hours was spent checking recreational fishermen for catch and size limits in the year 2000. Based on the current workforce of 43 marine patrol officers, 6,336 hours equates to less than ten percent of their patrol time. With the implementation of the recreational saltwater fishing license, the Division anticipates placing more emphasis on recreational fishing.

To adequately enforce the estimated CRFL's projected to be sold, the Division estimates that it will need 10 additional marine patrol officers. These additional officers in combination with existing staff will allow the Division to check between 16 and 32 percent of the license holders on an annual basis. This assumes a work year of 230 days and an average of five to ten checks per hour per officer or 40 to 80 license checks per day per officer. [230 days x 40 to 80 license checks per day = 9,200 to 18,400 license checks per new officer x 10 FTEs = 92,000 to 184,000 license checks annually plus existing staff time of 6,336 hours or approximately 792 days x 40 to 80 license checks per day = 31,680 to 63,360 license checks annually with existing staff time for a total of 123,680 to 247,360 licenses checked annually.]

Each marine patrol officer currently employed by the Division is assigned a motor vehicle and marine patrol boat for duty. Based on this practice, each of the 10 new positions will require a motor vehicle, leased from motor pool at approximately $4,800 per year, and a marine patrol boat at approximately $45,000 per boat. Marine patrol boats are currently replaced every 5 to 6 years.

For the purposes of this analysis, the marine patrol officers are assumed to be effective September 1, 2004, or six months prior to the effective date of the licenses to allow for recruitment and training. Operating support for the 2004-05 fiscal year is reduced proportionally.

The total estimated budget for Marine Fisheries to enforce the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 9: Division of Marine Fisheries, Budget Requirements for Enforcement

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Enforcement Personnel					
Marine Enforcement Officer I (10 FTEs)	0	285,950	359,950	377,950	396,850
Operating Expenses for Enforcement	0	556,250	95,000	95,000	95,000
Total Requirements	**$0**	**$842,200**	**$454,950**	**$472,950**	**$491,850**
Positions	*0*	*8.0*	*10.0*	*10.0*	*10.0*

Board of Trustees – Marine Resources Restoration Fund

The bill provides for a Board of Trustees to oversee the disbursement of moneys from the Fund. Membership, terms, and meeting frequency are specified in the bill. The bill allows the use of Fund revenues to pay per diem, travel and subsistence expenses for Trustees. No exact estimate of expenses is available; however, there will not be a General Fund impact.

Funding

HB 831 authorizes up to 15% of the funds credited to the Marine Resources Restoration Fund to be used for administrative costs. Based on the revenue projections outlined on page 4 (Table 6), the allowance will not cover the required administrative expenditures in the 2003-04 and 2004-05 fiscal years. The first two years have start-up costs associated with establishing the CRFL program. The Secretary of DENR is authorized to disburse money from the Fund to pay for the costs of implementing the program. The bill authorizes DENR to use up to $1.1 Million for the 2003-04 fiscal year and up to $2 Million for the 2004-05 fiscal year to implement the program. These funds are to come from the funds appropriated to DENR by S.L. 2003-284. *Once the licensing effort is established revenues would be realized and available to be transferred to the program's administrative requirements.*

Assuming the maximum 15% is authorized for administration in the second fiscal year and adequate funds to cover administrative costs in future years, the costs will be as follows:

Table 10: Funds Required for License Implementation

		FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
1	Total Administrative Requirements	$595,067	$1,091,288	$1,277,647	$1,288,917	$1,300,749
2	15% Admin Allowance, Fund Transfer	(0)	(507,470)	(1, 277,647)	(1, 288,917)	(1, 300,749)
3	**Funds Needed for Admin**	**595,067**	**583,818**	**0**	**0**	**0**
4	Total Enforcement Requirements	0	842,200	454,950	472,950	491,850
5	Wildlife Resources Commission Start-up	500,000	-	-	-	-
5	**Total Funds Required**	**$1,095,067**	**$1,426,018***	**$454,950**	**$472,950**	**$491,850**

*The initial second-year amount will be **$1,933,488** because costs will be incurred before revenues will be realized. (FY 04-05 line 2 will be required up-front to implement the program but may be repaid after revenues are generated.)

SOURCES OF DATA: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission

TECHNICAL CONSIDERATIONS:

1) The provisions of the Coastal Recreational Fishing License become effective March 1, 2005. In order to give the public time to purchase a license prior to the license requirement becoming effective, this analysis assumed that license sales would begin January 1, 2005, two months prior to the March 1 effective date. However, the bill is silent as to the date that license sales can begin.

2) The Division of Marine Fisheries and Wildlife Resources Commission expenditures associated with the implementation of the Coastal Recreational Fishing License may change once planning and technical specifications are further detailed. The Information Resource Management Commission (IRMC) must approve the business case and technical interfaces between the systems prior to funds being expended. The business case analysis will assist with cost estimates. Specifically, the programming and computer equipment costs may change once project specifications are mapped more thoroughly. As the project progresses from planning into implementation phases, the estimated transaction costs $0.77 per license sold online may be changed due to the further development of the online licensing process.

3) The legislation specifies how the Marine Resources Restoration Fund balance is to be allocated towards varying functions. The legislation is unclear as to how any excess funds are to be administered or held, although it could be assumed the Board of Trustees expenses are paid from the excess funds.

HOUSE BILL 831:
Coastal Recreational Fishing License/Fund.

BILL ANALYSIS

Committee:	House Appropriations	**Introduced by:**	Representatives Gibson and McComas
Date:	July 16, 2003		
Version:	Third Edition	**Summary by:**	Jeff Hudson, Staff Attorney

Section 1 establishes a program for the licensing of coastal recreational fishing.

G.S. 113-174. – Definitions.

- Commission means the Marine Fisheries Commission.
- CRFL means Coastal Recreational Fishing License.
- Division means the Division of Marine Fisheries.
- RCGL means Recreational Commercial Gear License.
- Recreational fishing means any activity involved in taking fish regulated by the Commission that is not part of a commercial fishing operation or for scientific purposes.

G.S. 113-174.1 – General Provisions Governing Recreational Fishing Licenses.

- It is unlawful to engage in recreational fishing without complying with the new licensing requirements.
- A CRFL or RCGL does not authorize the license holder to sell fish taken under the license.
- Assignment or transfer of a CRFL or RCGL is prohibited.
- A CRFL or RCGL will show the name, mailing address, residence address, and date of birth of the licensee as well as the date the license was issued, the date it will expire, and any other information the Division or Commission determines to be necessary.
- An individual engaging in recreational fishing must have a CRFL or RCGL issued in the individual's name available for inspection.
- A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and must apply for a replacement license within 30 days of a change of name or address.
- An individual may not hold a recreational fishing license as a North Carolina resident and hold a commercial or recreational fishing license as a resident of another state.
- An individual isn't eligible to obtain a CRFL or a RCGL if any of the individual's coastal recreational licenses have been suspended or revoked or the individual has been responsible for four or more violations of marine fisheries laws in the three years prior to the date of application.
- The Division may cancel a CRFL or RCGL issued on the basis of false information.
- A CRFL or RCGL holder must comply with sampling and survey programs.
- Information collected pursuant to the coastal recreational fishing license program, including the names and addresses of licensed individuals, is confidential and not a public record.

G.S. 113-174.2. – Coastal Recreational Fishing License

Any CRFL may be purchased from a Division office or from the Division by mail. The Standard and Ten-Day CRFL may be purchased from authorized license agents.

Types of CRFL's:

Standard CRFL	$10.00	One year duration
Ten-Day CRFL	$5.00	Ten day duration
Lifetime CRFL		Lifetime duration
Younger than 18 years of age	$150.00	
18 years of age to younger than 62 years of age	$200.00	
Disabled Individual CRFL	No charge	Duration of disability
Disabled Veteran CRFL	No charge	Duration of disability
Legally Blind Lifetime CRFL	No charge	Lifetime duration

Exemptions: An individual may engage in recreational fishing by means of recreational gear without holding a CRFL if the individual:

- Is under 16 years of age.
- Is 62 years of age or older.
- Holds a Standard Commercial Fishing License or a Retired Standard Commercial Fishing License.
- Holds a Lifetime Resident Comprehensive Fishing License or a Lifetime Sportsman License.
- Is fishing from a public bridge.

Reciprocity: The Commission may increase the fee for a Standard CRFL for residents of another state to the level charged to North Carolina residents for a recreational license in that state.

G.S. 113-174.3. – Recreational Commercial Gear License (RCGL)

Recodified from existing G.S. 113-173 without substantive changes.

G.S. 113-174.4. – License Agents

Recodified from existing G.S. 113-172 with the following substantive changes:

- License agents shall be compensated at a rate of 6% of the value of each license sold rather than $1.00 per license sold.
- The Secretary of Environment and Natural Resources is authorized rather than required to bond license agents.

Article 14C. Marine Resources Restoration Fund

Article 14C establishes the Marine Resources Restoration Fund in the Department of Environment and Natural Resources to hold proceeds from the sale of CRFL's. The Fund will be administered by a seven member Board of Trustees. The Governor will appoint three members of the Board of Trustees, while the Speaker and the President Pro Tempore will each appoint two members. The Board of Trustees will allocate moneys from the Fund as follows:

- Resource and habitat enhancement: Not less than 35%.
- Marine fisheries research: Not less than 35%.
- Administration: Not more than 10%.
- Public education and information: Not less than 5%, but no more than 10%.
- Grants for coastal fishing programs and scholarships: Not more than 5%.

The Chair of the Board of Trustees will report to the Joint Legislative Commission on Seafood and Aquaculture and the Joint Legislative Commission on Governmental Operations by September 30 of each year on the source and amounts of monies credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year.

Sections 2 through 5 and Sections 6 and 7 make technical, clarifying, and conforming changes.

Section 8 directs the Commission to adopt rules to define recreational gear and commercial gear for purposes of implementing the new program for licensing coastal recreational fishing.

Section 9 provides the staggering of terms of the members of the Board of Trustees.

Section 10 provides that the first report on the Marine Resources Restoration fund is due by September 30, 2004.

Section 11 authorizes every agency to which this act applies to adopt temporary rules until all rules necessary to implement the provisions of the act become effective.

Section 12 is a severability clause.

Section 13 provides that the licensing provisions become effective March 1, 2004.

COASTAL RECREATIONAL FISHING LICENSE AND FUND
An Important Management Tool to Promote Sustainable Fisheries

House Bill 831, Coastal Recreational Fishing License/Fund, will lead to healthier and more sustainable populations of marine fish in North Carolina. First, establishing a license for recreational saltwater anglers will provide resource managers with the data they need to manage fish stocks responsibly. Second, the creation of marine resources restoration fund—to be funded from revenues generated from modest license fees--will provide dedicated funding for programs that protect fish habitat, restore fish populations, and improve fisheries management.

HB 831 is a good idea for all of the following reasons:

- The Fisheries Reform Act of 1997 is a landmark law that provides a strong mandate for ecosystem-based marine fish management by including measures to prevent overfishing, restore fish populations to sustainable levels, and protect fish habitat. Sustaining healthy marine fish populations will ensure the survival of robust commercial and recreational fisheries, both of which contribute greatly to North Carolina's economy.
- A cornerstone of this law is the development of fishery management plans—a mandate that has not been fulfilled because of a lack of adequate funding and poor data on recreational harvests. As a result, many commercially and recreationally important fish stocks are still in trouble.
- In 2001 the Division of Marine Fisheries (DMF) status report found only 25% of the state's fish stocks were "viable." Conversely, this status report labeled 55% of the state's fish stocks as either cause for "concern" or "overfished."
- Good management plans require good data on fishing effort by both commercial and recreational anglers. Excellent data exist on commercial landings because of North Carolina's nationally renowned trip ticket program.
- But good data on recreational catch levels are not available. It is estimated that over 1,600,000 recreational enthusiasts fish North Carolina's oceans and sounds each year. Poor data make it difficult for managers to implement measures needed to ensure that fish stocks recover.
- Creating a saltwater fishing license would provide the DMF with much needed funds to collect data on recreational fishing, to monitor fish stocks, to restore fish habitat, and take steps to ensure overfished stocks are rebuilt.
- The legislation benefits taxpayers as it funds new fishery research, habitat protection, management, and education, not by imposing additional taxes, but by generating funding from those who use and enjoy the resource. In these times of economic shortfalls and budget cuts, finding alternative sources of funding is plain common sense.
- Eighty percent of recreational fishermen, the group most directly affected by this bill, strongly support this license as a way of preserving the wildlife they enjoy.

Prepared by Environmental Defense, 919-881-2601

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 3

HOUSE BILL 831*

Committee Substitute Favorable 5/20/03

Committee Substitute #2 Favorable 7/9/03

Short Title: Coastal Recreational Fishing License/Fund. (Public)

Sponsors:

Referred to:

April 2, 2003

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE AND A MARINE RESOURCES RESTORATION FUND TO RESTORE, PROTECT, AND ENHANCE THE MARINE RESOURCES OF THE STATE.

Whereas, the State of North Carolina has one of the most diverse fisheries in the United States; and

Whereas, the General Assembly recognizes that for many citizens fishing is an important recreational activity and that coastal recreational fishing is a source of great personal enjoyment and satisfaction; and

Whereas, the General Assembly recognizes the importance of providing plentiful fishery resources to maintain and enhance tourism as a major contributor to the economy of the State; and

Whereas, the General Assembly recognizes that commercial fishermen perform an essential function by providing wholesome food for the citizens of the State, nation, and world, and thereby properly earn a livelihood; and

Whereas, the General Assembly recognizes the economic contribution and important heritage of traditional full-time and part-time commercial fishing; and

Whereas, the General Assembly recognizes the need to protect our coastal fishery resources and to balance the commercial and recreational interests through better management of these resources; and

Whereas, the General Assembly is committed to the continued viability of both recreational and commercial fishing industries in the State; and

Whereas, the General Assembly intends that the commercial fishing industry be allowed to continue to take fish by means of all methods traditionally employed in commercial fishing operations, including the use of nets and trawls; and

Whereas, the General Assembly finds that in order to protect coastal fishery resources, it is essential that the recreational as well as the commercial fishing sectors

provide data on use of fishery resources for the development of scientifically valid plans to manage fishery resources; and

Whereas, the General Assembly finds that it is essential to the success of efforts to better manage fishery resources that both the recreational and commercial fishing sectors are involved in and support these efforts; and

Whereas, management of marine resources can achieve significant restoration of stocks as demonstrated by the role regulation of overfishing has played in restoring stocks of species such as striped bass; and

Whereas, implementing a system for licensing coastal recreational fishers and establishing a fund containing revenue generated by the licensing system would enable the Division of Marine Fisheries to better disseminate information to and gather information from recreational fishers, who are the largest marine resources user group in our State, and would enable the Division to better manage the marine resources of the State through habitat protection and research; and

Whereas, an objective poll conducted by North Carolina State University found that almost 80% of recreational fishers in North Carolina support the establishment of a system for licensing coastal recreational fishing, with the revenues from the license to be used to manage the marine resources of the State; and

Whereas, recreational fishers should help pay for the fishery regulation and management efforts of the State and should have a voice in this regulation and management; and

Whereas, North Carolina is the only coastal state between Delaware and Texas that is not benefiting from a system for licensing coastal recreational fishing; and

Whereas, the establishment of a system for licensing coastal recreational fishing and the revenue that such a license would generate for the protection, restoration, and enhancement of the marine resources of the State offer the best hope for the long-term health of the coastal tourism, boating, and fishing industries of North Carolina; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 113 of the General Statutes is amended by adding two new Articles to read:

"Article 14B.

"Coastal Recreational Fishing Licenses.

"**§ 113-174. Definitions.**

As used in this Article:

(1) 'Commission' means the Marine Fisheries Commission.

(2) 'CRFL' means Coastal Recreational Fishing License.

(3) 'Division' means the Division of Marine Fisheries in the Department of Environment and Natural Resources.

(4) 'North Carolina resident' means an individual who is a resident within the meaning of G.S. 113-130(4).

(5) 'RCGL' means Recreational Commercial Gear License.

(6) 'Recreational fishing' means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, by any means:
a. That does not constitute a commercial fishing operation as defined in G.S. 113-168.
b. Except as provided in G.S. 113-261.
(7) 'RSCFL' means Retired Standard Commercial Fishing License issued pursuant to G.S. 113-168.3.
(8) 'SCFL' means Standard Commercial Fishing License issued pursuant to G.S. 113-168.2.

"**§ 113-174.1. General provisions governing recreational licenses.**

(a) License Required to Engage in Recreational Fishing. – It is unlawful for any individual to engage in recreational fishing in coastal fishing waters without holding a license required by this Article. It is unlawful for any individual to engage in recreational fishing without complying with the provisions of this Article and rules adopted by the Commission under this Article.

(b) Sale of Fish Prohibited. – A license issued under this Article does not authorize an individual who takes or lands any species of fish under the authority of the Commission to sell, offer for sale, barter, or exchange the fish for anything of value. Except as provided in G.S. 113-168.4, it is unlawful for any individual who takes or lands any species of fish under the authority of the Commission by any means to sell, offer for sale, barter, or exchange these fish for anything of value.

(c) Assignment and Transfer Prohibited. – Except as provided in G.S. 113-174.3(e)(1), it is unlawful to buy, sell, lend, borrow, assign, or otherwise transfer a license issued under this Article or to attempt to buy, sell, lend, borrow, assign, or otherwise transfer a license issued under this Article.

(d) Format. – A license issued under this Article shall be issued in the name of the applicant. A license shall show the type of license; the name, mailing address, physical or residence address, and date of birth of the licensee; the date on which the license is issued; the date on which the license expires; and any other information that the Commission or the Division determines to be necessary to accomplish the purposes of this Subchapter.

(e) Licenses Available for Inspection. – It is unlawful for any individual to engage in recreational fishing in coastal fishing waters in the State without having ready at hand for inspection all licenses required under this Article. It is unlawful for an individual to refuse to exhibit any license required by this Article upon the request of an inspector or other law enforcement officer authorized to enforce federal or State laws, regulations, or rules relating to marine fisheries.

(f) Replacement Licenses. – The Division shall issue a replacement license to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any office of the Division or by mail to the Morehead City office of the Division. A licensee may use a

copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed five dollars ($5.00), that compensates the Division for the administrative costs associated with issuing the replacement license.

(g) No Dual Residency. – It is unlawful for any individual to hold any license issued under this Article to the individual as a North Carolina resident if that individual holds any commercial or recreational fishing license issued by another state to the individual as a resident of that state.

(h) Limitations on Eligibility. – An individual is not eligible to obtain a license under this Article if, at the time the individual applies for the license, any other license or endorsement issued to the individual under this Article is suspended or revoked. An individual is not eligible to obtain a license under this Article if, within the three years prior to the date of application, the individual has been determined to be responsible for four or more violations of State laws, regulations, or rules governing the management of marine and estuarine resources. An applicant for a license under this Article shall certify that the applicant has not been determined to be responsible for four or more violations of State laws, regulations, or rules governing the management of marine and estuarine resources during the previous three years. The Division may also consider violations of federal law and regulations governing the management of marine and estuarine resources in determining whether an applicant is eligible for a license.

(i) Cancellation. – The Division may cancel a license issued on the basis of an application that contains false information supplied by the applicant. A cancelled license is void from the date of issuance. An individual in possession of a cancelled license shall surrender the cancelled license to the Division. It is unlawful to refuse to surrender a cancelled license upon demand of any authorized agent of the Division.

(j) Reporting Requirements. – The holder of a license issued under this Article shall comply with the biological data sampling and survey programs of the Commission and the Division.

(k) Confidentiality of Information. – Information collected pursuant to this Article, including the names and addresses of licensed individuals, is confidential and is not a public record under Chapter 132 of the General Statutes.

"**§ 113-174.2. Coastal Recreational Fishing License.**

(a) License Required. – Except as otherwise provided in this Article, it is unlawful for any individual to engage in recreational fishing in coastal fishing waters by means of recreational gear without holding a CRFL issued under this section. It is unlawful for any individual licensed under this section or fishing under a CRFL to possess fish in excess of recreational size or possession limits.

(b) Purchase; Renewal. – Any license issued under this section may be purchased at designated offices of the Division or from the Division by mail. A license issued under subdivisions (1) and (2) of subsection (c) of this section may also be purchased through a license agent authorized under G.S. 113-174.5. Any license issued under this section may be renewed by mail.

(c) Types of CRFLs; Fees; Duration. – The Division shall issue the following CRFLs:

(1) Standard CRFL. – $10.00. This license is valid for a period of one year from the date of issuance.

(2) Ten-Day CRFL. – $5.00. This license is valid for a period of 10 days.

(3) Lifetime CRFL. – This license is valid for the lifetime of the licensee. The fee for the Lifetime CRFL, based on the age of the prospective licensee as of the date on which the application is filed with the Division, is:

a. Younger than 18 years of age $150.00

b. 18 years of age to younger than 62 years of age $200.00

(4) Disabled Individual CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is disabled as determined by the United States Social Security Administration. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the individual so long as the individual remains disabled.

(5) Disabled Veteran CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans Affairs. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the individual so long as the individual remains fifty percent (50%) or more disabled.

(6) Legally Blind Lifetime CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is legally blind. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the licensee.

(d) Exemptions. – An individual may engage in recreational fishing by means of recreational gear without holding a CRFL if the individual:

(1) Is under 16 years of age.

(2) Is 62 years of age or older.

(3) Holds a SCFL or a RSCFL.

(4) Holds a Lifetime Resident Comprehensive Fishing License under G.S. 113-271(d)(3) or a Lifetime Sportsman License under G.S. 113-270.1D(b).

(5) Is fishing from a public bridge.

(e) Notwithstanding the fee for the Standard CRFL specified in subdivision (1) of subsection (c) of this section, if the Commission finds that a state has established a coastal recreational fishing license fee that exceeds the fee for the Standard CRFL, the Commission may increase the fee for the Standard CRFL applicable to residents of that state to an amount equal to the fee a North Carolina resident is required to pay for a coastal recreational fishing license in that state. The action of the Commission to

increase a fee pursuant to this subsection is not subject to the provisions of Article 2A of Chapter 150B of the General Statutes. The action of the Commission to increase a fee pursuant to this subsection becomes effective on the date specified by the Commission.

"**§ 113-174.3. Recreational Commercial Gear License.**

(a) License Required. – Except as provided in subsection (e) of this section, it is unlawful for any individual to engage in recreational fishing by means of commercial fishing equipment or gear in coastal fishing waters without holding a RCGL. The RCGL entitles the licensee to use authorized commercial gear to take fish for personal use subject to recreational size and possession limits. It is unlawful for any individual licensed under this section or fishing under a RCGL to possess fish in excess of recreational size or possession limits.

(b) Authorized Commercial Gear. –

(1) The Commission shall adopt rules authorizing the use of a limited amount of commercial fishing equipment or gear for recreational fishing under a RCGL. The Commission may authorize the limited use of commercial gear on a uniform basis in all coastal fishing waters or may vary the limited use of commercial gear within specified areas of the coastal fishing waters. The Commission shall periodically evaluate and revise the authorized use of commercial gear for recreational fishing. Authorized commercial gear shall be identified by visible colored tags or other means specified by the Commission in order to distinguish between commercial gear used in a commercial fishing operation as defined in G.S. 113-168 and commercial gear used for recreational purposes.

(2) An individual who holds a RCGL may use up to 100 yards of gill net to take fish for recreational purposes. Two individuals who each hold a RCGL and who are fishing from a single vessel may use up to a combined 200 yards of gill net to take fish for recreational purposes. No more than 200 yards of gill net may be used to take fish for recreational purposes from a single vessel regardless of the number of individuals aboard the vessel who hold a RCGL.

(c) Purchase; Renewal. – A RCGL may be purchased at designated offices of the Division and from a license agent authorized under G.S. 113-174.5. A RCGL may be renewed by mail.

(d) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be thirty-five dollars ($35.00). The fee for a RCGL for an individual who is not a North Carolina resident shall be two hundred fifty dollars ($250.00).

(e) Exemptions. –

(1) An individual who is under 16 years of age may engage in recreational fishing by means of authorized commercial gear without holding a RCGL if the individual is accompanied by a parent, grandparent, or guardian who holds a valid RCGL or if the individual has in the

individual's possession a valid RCGL issued to the individual's parent, grandparent, or guardian.

(2) An individual may engage in recreational fishing for crabs by means of one or more crab pots attached to the shore along privately owned land or to a privately owned pier without holding a RCGL provided that the crab pots are attached with the permission of the owner of the land or pier.

(3) An individual who is on a vessel may engage in recreational fishing by means of authorized commercial gear without holding a RCGL if there is another individual on the vessel who holds a valid RCGL. This exemption does not authorize the use of commercial gear in excess of that authorized for use by the individual who holds the valid RCGL or, if more than one individual on the vessel holds a RCGL, in excess of that authorized for use by those individuals.

(4) An individual using nonmechanical means may take shellfish for personal use within the limits specified in G.S. 113-169.2(i) without holding a RCGL.

(5) An individual may take fish for recreational purposes by means of a gig without holding a RCGL.

"**§ 113-174.4. License agents.**

(a) The Secretary shall designate license agents for the Department. At least one license agent shall be designated for each county that contains or borders on coastal fishing waters. The Secretary may designate additional license agents in any county if the Secretary determines that additional agents are needed to provide efficient service to the public. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission.

(b) The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms, and other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence of misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by G.S. 114-15.1.

(c) A license agent may deduct a fee of six percent (6%) from the amount collected for each license.

"Article 14C.

"Marine Resources Restoration Fund.

"**§ 113-175. Definitions.**

As used in this section:

(1) 'Board of Trustees' means the Board of Trustees of the Fund.

(2) 'Fund' means the Marine Resources Restoration Fund.

(3) 'License revenues' means the net proceeds from the sale of licenses issued under G.S. 113-174.2 and interest earned from the investment of license proceeds. The term includes funds realized from the sale, lease, rental, or other grant of rights to real or personal property acquired or produced with license revenues and federal aid project reimbursements to the extent that license revenues originally funded the project for which the reimbursement is made.

"**§ 113-175.1. Marine Resources Restoration Fund.**

The Marine Resources Restoration Fund is established as a special nonreverting fund within the Department. License revenues shall be deposited in the Fund. The State Treasurer shall invest the assets of the Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3.

"**§ 113-175.2. Board of Trustees of the Marine Resources Restoration Fund.**

(a) Board of Trustees. – There is hereby established the Board of Trustees of the Marine Resources Restoration Fund. The Board of Trustees shall be independent, but for administrative purposes shall be located under the Department.

(b) Membership, Qualifications. – The Board of Trustees shall consist of seven members appointed to three-year terms as follows:

(1) One member appointed by the Governor to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(2) One member appointed by the Governor to a term that expires on July 1 of years that are evenly divisible by three.

(3) One member appointed by the Governor to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(4) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(5) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that are evenly divisible by three.

(6) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(7) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(c) Qualifications. – A person must hold a license issued under G.S. 113-174.2 at the time of appointment in order to be eligible for appointment to the Board of Trustees

under subsection (b) of this section. A person appointed under subsection (b) must continue to hold a license issued under G.S. 113-174.2 in order to remain eligible to serve on the Board of Trustees.

(d) Officers. – The Governor shall appoint the Chair and Vice-Chair of the Board of Trustees from among the persons appointed under subsection (b) of this section.

(e) Vacancies. – If a vacancy occurs for a member subject to appointment by the General Assembly upon the recommendation of the Speaker of the House of Representatives or the President Pro Tempore of the Senate, the vacancy shall be filled in accordance with G.S. 120-122. All other vacancies shall be filled by the appointing official in the original manner.

(f) Meetings; Frequency. – The Board of Trustees shall meet at least twice each year and may hold special meetings at the call of the Chair or a majority of the members. Four members of the Board of Trustees shall constitute a quorum for the transaction of business.

(g) Per Diem and Expenses. – The Trustees shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5. Per diem, travel, and subsistence expenses shall be paid from the Fund.

"**§ 113-175.3. Allocation of moneys from the Fund.**

The Secretary shall disburse moneys from the Fund only upon written direction from the Board of Trustees. The Board of Trustees shall use moneys that accrue to the Fund in each fiscal year for the administration of the provisions of Subchapter IV of Chapter 113 of the General Statutes related to marine fisheries as follows:

(1) Resource and habitat enhancement. – Not less than thirty-five percent (35%) of the moneys in the Fund shall be used for resource and habitat enhancement, including, but not limited to, artificial reef construction, restoration and enhancement of submerged aquatic vegetation, acquisition of land or an interest in land that provides for the preservation of critical fisheries habitat, and studies used in the development of a Fishery Management Plan or a Coastal Habitat Protection Plan.

(2) Marine fisheries research. – Not less than thirty-five percent (35%) of the moneys in the Fund shall be used for marine fisheries research, including, but not limited to, life history studies of commercially or recreationally significant marine and estuarine species or fisheries, sampling and statistical studies, data collection and analysis, fisheries habitat studies, commercial and recreational discard mortality studies, and studies used in the development of a Fishery Management Plan or a Coastal Habitat Protection Plan.

(3) Administration. – Not more than ten percent (10%) of the moneys, exclusive of the license agent fees, in the Fund shall be used for administrative costs.

(4) Public education and information. – Not less than five percent (5%) but no more than ten percent (10%) of the moneys in the Fund shall be used for public education and information.

(5) Grants. – Not more than five percent (5%) of the moneys in the Fund shall be used to fund grants for coastal fishing programs, projects, and scholarships.

"**§ 113-175.4. Report.**

The Chair of the Board of Trustees shall submit to the Joint Legislative Commission on Seafood and Aquaculture and the Joint Legislative Commission on Governmental Operations by September 30 of each year a report on the Fund that shall include the source and amounts of all moneys credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 2. G.S. 113-168(1) reads as rewritten:

"(1) 'Commercial fishing operation' means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, either with the use of commercial fishing equipment or gear, or by any means if the purpose of the taking is to obtain fish for sale. Commercial fishing operation does not include (i) the taking of fish as part of a recreational fishing tournament, unless commercial fishing equipment or gear is ~~used or~~ used, (ii) the taking of fish under a ~~RCGL.~~ RCGL, or (iii) the taking of fish as provided in G.S. 113-261."

SECTION 3. The catch line of G.S. 113-168.1 reads as rewritten:

"**§ 113-168.1. General provisions governing commercial licenses and endorsements.**"

SECTION 4. G.S. 113-168.1(a) reads as rewritten:

"(a) Duration, Fees. – ~~Except as provided in G.S. 113-173(f), all~~ All licenses and endorsements issued under this Article expire on the last day of the license year. An applicant for any license or endorsement shall pay the full annual fee at the time the applicant applies for the license or endorsement regardless of when application is made."

SECTION 5. G.S. 113-168.1(f) reads as rewritten:

"(f) License Issuance and Renewal. – ~~Except as provided in G.S. 113-173(d), the~~ The Division shall issue licenses and endorsements under this Article to eligible applicants at any office of the Division or by mail from the Morehead City office of the Division. A license or endorsement may be renewed in person at any office of the Division or by mail to the Morehead City office of the Division. Eligibility to renew an expired SCFL shall end one year after the date of expiration of the SCFL."

SECTION 6. G.S. 113-172 is repealed.

SECTION 7. G.S. 113-173 is repealed.

SECTION 8. G.S. 143B-289.52(a) is amended by adding a new subdivision to read:

"(13) To adopt rules to define fishing gear as either recreational gear or commercial gear for purposes of implementing Article 14B of Chapter 113 of the General Statutes."

SECTION 9. In order to provide for a system of staggered three-year terms for members of the Board of Trustees of the Marine Resources Restoration Fund

established by G.S. 113-175.2, as enacted by Section 1 of this act, the following provisions shall apply:

(1) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(1) shall be five years and shall expire on July 1, 2009.

(2) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(2) shall be three years and shall expire on July 1, 2007.

(3) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(3) shall be four years and shall expire on July 1, 2008.

(4) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(4) shall be five years and shall expire on July 1, 2009.

(5) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(5) shall be three years and shall expire on July 1, 2007.

(6) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(6) shall be four years and shall expire on July 1, 2008.

(7) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(7) shall be five years and shall expire on July 1, 2009.

SECTION 10. The first report required by G.S. 113-175.4, as enacted by Section 1 of this act, shall be submitted by September 30, 2004.

SECTION 11. Unless otherwise expressly provided, every agency to which this act applies shall adopt rules to implement the provisions of this act only in accordance with the provisions of Chapter 150B of the General Statutes. This act constitutes a recent act of the General Assembly within the meaning of G.S. 150B-21.1. Every agency to which this act applies that is authorized to adopt rules to implement the provisions of this act may adopt temporary rules to implement the provisions of this act. This section shall continue in effect until all rules necessary to implement the provisions of this act have become effective as either temporary rules or permanent rules.

SECTION 12. If any section or provision of this act is declared unconstitutional or invalid by the courts, the unconstitutional or invalid section or provision does not affect the validity of this act as a whole or any part of this act other than the part declared to be unconstitutional or invalid.

SECTION 13. Sections 8, 11, 12, and 13 of this act are effective when this act becomes law. All other sections of this act become effective March 1, 2004.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 831 (Third Edition)

SHORT TITLE: Coastal Recreational Fishing License / Fund

SPONSOR(S): Reps. Gibson and McComas

FISCAL IMPACT

	Yes (X)	No ( )	No Estimate Available ( )		
	FY 2003-04	**FY 2004-05**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**
REVENUES					
Marine Resources Restoration Fund License Revenue	$3,383,133	$9,666,096	$9,666,096	$9,666,096	$9,666,096
DMF Agency Receipts (RCGL fee change)	(5,587)	(11,174)	(11,174)	(11,174)	(11,174)
EXPENDITURES (General Fund)					
Wildlife Res. Comm.	500,000	-	-	-	-
DMF System Development and Administration	2,085,160	1,272,208	1,283,206	1,294,754	1,306,877
DMF Enforcement	842,200	454,950	472,950	491,850	511,695
Total Cost	**3,427,360**	**1,727,158**	**1,756,156**	**1,786,604**	**1,818,572**
TOTAL REQUIRED APPROPRIATION**	**$3,427,360**	**$760,548**	**$789,546**	**$819,994**	**$851,962**
POSITIONS: (cumulative)	13.2	16.0	16.0	16.0	16.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission

EFFECTIVE DATE: March 1, 2004. Section 8, 11, 12 and 13 are effective when the act becomes law.

FY03-04 includes an appropriation for start-up funds to plan, implement, and begin enforcement of the program before revenues are realized. Then revenues generated from the licensing program will be able to recover approximately $338,000 in administrative costs in the first year. The bill has a cap specifying no more than 10% of the funds can be credited to the Marine Resources Restoration Fund to be used for administration. The allowance will not be sufficient to cover total costs of the program. See page 10 of this note for details.

BILL SUMMARY: The bill establishes general provisions governing a Coastal Recreational Fishing License (CRFL) and sets out a fee structure for the sale of these licenses. License fee exemptions are granted for certain classes of individuals. Information collected about applicants is confidential and is not subject to the public records law. It creates a Marine Resources Restoration Fund in the Department of the Environment and Natural Resources (DENR) to hold the proceeds from the sale of CRFL's, and provides for the allocation of the proceeds. The bill also recodifies the Recreational Commercial Gear License (RCGL) without substantive changes.

ASSUMPTIONS AND METHODOLOGY:

Revenues: The amount of revenue raised by the CRFL depends on two factors: the number of licenses sold and the type of license sold. At this time, there is no precise count of the number of recreational anglers in North Carolina. The best estimate available is based on an annual Marine Recreational Fishery Statistics Survey compiled by the Division of Marine Fisheries. The surveys include direct interviews with approximately 20,000 anglers at various public access points along the North Carolina coast, as well as telephone interviews with 20,000 additional, randomly selected persons.

Information obtained through the surveys is used to estimate the total number of marine or coastal anglers in North Carolina, the total number of coastal fishing trips annually and the mode of fishing (i.e. from a man-made structure, beach or bank, charter/head boat or private boats). The following two tables summarize the results of the annual survey over the last six years:

Table 1: Estimated Number of Marine Recreational Anglers in NC, 1997-2002

	Coastal Residents	Non-Coastal	Out-of State	Total Anglers
1997	329,909	166,104	859,110	1,355,123
1998	312,246	143,355	635,197	1,090,798
1999	324,091	164,398	804,561	1,293,051
2000	392,131	215,815	1,203,779	1,811,725
2001	448,272	248,311	1,281,925	1,978,508
2002	409,601	224,744	1,120,938	1,755,283
6 Year Average	377,268	199,325	1,009,280	1,547,415
Percentage of Total	24%	12%	64%	

Table 2: Estimated Marine Recreational Fishing Trips in NC, 1997-2002

	Beach/Bank	Charter Boats	Man-Made	Private Boats	Total
1997	1,772,884	295,820	1,252,716	1,570,089	4,891,509
1998	1,446,621	241,001	1,135,830	1,638,009	4,461,461
1999	1,459,571	221,369	1,013,535	1,860,564	4,555,039
2000	2,136,284	183,219	1,665,748	2,105,734	6,090,985
2001	2,409,723	197,710	1,809,738	2,142,621	6,559,792
2002	1,973,242	181,073	1,396,937	2,011,633	5,562,885
6 Year Average	1,885,088	204,874	1,404,358	1,951,712	5,353,612
Percentage of Total	34%	4%	26%	36%	

Based on the six-year average number of estimated marine anglers (Table 1), there are 1,547,415 potential licensees. However, the bill provides for a number of general exemptions and individual licenses at no charge, reducing the number of potential anglers subject to the Coastal Recreational Fishing License fees. Table 3 outlines the adjustments necessary to estimate the number of anglers who may be required to purchase a license.

Table 3: Calculation of Adjusted Total Number of Anglers

Total Number of Anglers, 6 year average:		**1,547,415**
General Exemptions, No Charge Licenses, Attrition		
1. Standard/Retired Standard Commercial Fishing License (SCFL/RSCFL count for FY2002. FY2003 sales are expected to be similar.)	7,307	
2. Wildlife Resources Commission – (Lifetime Resident Comprehensive Fishing License and Lifetime Sportsman Combination License holders minus infant license holders; assume 90% are coastal anglers)	102,015	
Less SCFL/RSCFL, WRC Lifetime		109,322
Subtotal		**1,438,093**
3. Permanently Handicapped/Disabled, Disabled Veteran, Legally Blind, Attrition (Based on WRC disabled and blind licenses; assume 3% of anglers subtotal to capture persons eligible for no charge licenses and possible attrition)	43,143	
4. Persons < 16 Years of Age (2002 North Carolina Marine Recreational Fishery Statistics Survey indicates 7.07% of NC coastal anglers are under the age of 16; assume 7% of anglers subtotal will fall under this exemption)	100,666	
5. Persons Fishing from Public Bridges (Marine Fisheries estimates only 3 or 4 major bridges from which anglers recreationally fish. Currently a permit or license is not required to fish from public bridges; no impact is expected.)	0	
Less Other General Exemptions, No Charge Licenses, Attrition		143,809
Adjusted Total Number of Anglers		**1,294,284**

According to the Division of Marine Fisheries, applying the percentages associated with each type of fishing trip (Table 2) to the adjusted total number of anglers (Table 3) provides a rough estimate of the number of anglers engaging in that particular mode of fishing. Table 4 provides a breakdown of total anglers by type of fishing trip.

Table 4: Estimated Marine Recreational Anglers by Type of Fishing Trip

	Beach/Bank	Charter Boats	Man-Made	Private Boats	Total
Adjusted for no charge licenses, general exemptions and attrition	448,003	48,690	333,754	463,836	**1,294,284**

The estimated revenue from the sale of the Coastal Recreational Fishing Licenses as outlined in the bill follows:

Table 6: Estimated Revenue Generated by Coastal Recreational Fishing License

License Type	License Fee	Estimated Sales	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Annual/Standard CRFL (40%)	$10.00**	512,536	$1,793,877	$5,125,362	$5,125,362	$5,125,362	$5,125,362
10 Day CRFL (60%)	5.00	768,805	1,345,407	3,844,021	3,844,021	3,844,021	3,844,021
		1,281,341					
Lifetime CRFL							
< 18 years of age	150.00	4,271	177,010	640,670	640,670	640,670	640,670
18 to 62 years of age	200.00	3,365	185,950	673,027	673,027	673,027	673,027
≥ 62 years of age	exempt	5,307	0	0	0	0	0
		12,943					
Gross Revenue from CRFL Receipts			**$3,599,078**	**$10,283,080**	**$10,283,080**	**$10,283,080**	**$10,283,080**
Less License Agent Fee (6%)			($215,945)	($616,985)	($616,985)	($616,985)	($616,985)
Net Revenue from CRFL Receipts -- Credited to the Marine Resources Restoration Fund			**$3,383,133**	**$9,666,096**	**$9,666,096**	**$9,666,096**	**$9,666,096**

** Note: The legislation allows for North Carolina to charge out-of-state residents a fee equal to the amount a North Carolina resident would have to pay for a Standard coastal recreational fishing license in that state. Some states charge more, while other states charge less, than the $10 fee identified in the legislation. It cannot be determined how much additional revenue will be generated by charging some applicants higher fees than identified in the legislation, nor how other state fees will change over time. **Fees generated from out-of-state residents purchasing Annual/Standard CRFLs would result in revenues higher than shown in Table 6 above.**

The revenue estimate is based on the following assumptions:

1. License sales are assumed to begin January 1, 2004, two months prior to the CRFL effective date of March 1, 2004. Consequently, license revenue for the last six months of the 2003-04 fiscal year is estimated to be 35% of the annual amount to align with current Marine Fisheries license sales in January - June. Even though the total number of anglers varies from year, the average has remained stable at approximately 1.4 million anglers since 1993. Consequently, no growth is assumed in projecting future revenues.

2. Lifetime licenses are assumed to be 1% of total sales. The sale of lifetime licenses sold to people under age 70 accounted for 1.23% of total Wildlife Resources Commission (WRC) license sales in recent years. The sale of lifetime CRFLs is anticipated to account for a lower percentage of total sales than Wildlife's experience, because HB 831 exempts persons holding a WRC lifetime license from the CRFL requirement, but does not exempt persons who hold a lifetime CRFL from the WRC freshwater license requirement. Consequently, lifetime anglers who fish in both fresh and salt water are likely to purchase the WRC license.

However, the lifetime CRFL is cheaper than the WRC lifetime license so it is assumed that a small percentage of coastal anglers will purchase the cheaper license.

3. The distribution of lifetime CRFL sales among the various age groups is based on the sale of WRC lifetime licenses to similar age groups.

Age Distributions	Percent of total lifetime sales
< 18 years of age	33%
18 to 62 years of age	26%
≥ 62 years of age	41%

4. The distribution of license sales is based on the following assumptions: 1) 90% of the ten-day licenses will be sold to out-of-state anglers and 10 % sold to NC residents, and 2) 90% of the standard or annual licenses will be sold to NC residents and 10 % sold to out-of-state anglers (from whom the additional revenues discussed in the note above may be realized.)

Other Revenue Issues

House Bill 831 also changes the amount of the fee to be retained by authorized license agents from the sale of Recreational Commercial Gear License (RCGL). Currently, agents are authorized to charge $1.00 in addition to the NC resident license fee of $35.00. The Division of Marine Fisheries retains the entire $35.00 license fee. The bill changes this practice to reimburse the agent six percent (6%) of the $35.00 license fee or $2.10 per license sold, thereby reducing the amount of revenue going to the Division. In 2002, agents sold a total of 5,321 RCGLs. Assuming that roughly the same number of licenses will be sold in subsequent years, **the Division will lose $11,174 in RCGL revenues annually**. Losses for the last six months of FY 2003-04 are estimated to be one-half of the annual amount.

Expenditures:

Wildlife Resources Commission

The Division of Marine Fisheries would like to take advantage of the automated licensing system operated by the Wildlife Resources Commission and the large network of WRC license agents to sell CRFLs. The WRC currently has an online license sales option available to customers only; however, a new WRC Internet sales system is scheduled to be released next year, and this medium will process *all* customer and agent license sales at that time.

The new Internet-based system can handle the required changes for the CRFLs with more flexibility than the current system. To accommodate the additional license types, the Wildlife system will require some modification and upgrades. The WRC estimates the cost for software modification, system upgrades to accommodate additional license agents and increased volume, training costs, and point of sale computer equipment provided to any new agent selling the CRFLs to be approximately $500,000. Funds are needed in the 2003-04 fiscal year to ensure that the system is complete and operational prior to March 1, 2004, when the CRFL goes into effect.

Division of Marine Fisheries

Administration: Integration of the Marine Fisheries licensing system with the Wildlife licensing system will also require upfront General Fund expenditures for system development. The Division estimates that $1 Million will be required in the 2003-04 fiscal year for additional hardware, software development and related information technology expenses. Funds are needed in the 2003-04 fiscal year to ensure that the system is complete and operational prior to March 1, 2004, when the CRFL goes into effect.

The Division also anticipates requiring additional staff and operating support to administer the CRFL program. An administrative officer will oversee management of the license program and will serve as the primary contact with the WRC. A computer programmer will be responsible for system maintenance, quality control and data transfer. An accounting clerk will be responsible for tracking license sales, deposits and auditing sales records. Three processing assistants will issue licenses in-person and by phone, handle questions concerning license requirements and regulations, and data entry in the Morehead and Columbia offices. Operating support for the 2003-04 fiscal year is reduced proportional to effective starting dates.

In addition, the Division will pay a per transaction fee to the Wildlife Resources Commission to cover the Commission's costs for online support, training, technical support, hardware maintenance, and communication charges associated with the transfer of data to and from agents. The actual transaction fee will be negotiated between DMF and WRC based on expected volume of license sales, technical specifications, and types of licenses sold online (see Technical Considerations #2.)

The WRC estimates the transaction fee per CRFL sold would be $2.00 for licenses sold by licensed agents. Fiscal Research projects this fee can be reduced for transactions occurring through the online sales option due to the equipment and technology used for bulk online transactions. In order to estimate a possible online fee amount, data were gathered on industry online transaction costs and comparable WRC transaction costs occurring online today. For direct customer sales via the Internet, the WRC pays an online transaction fee of 2% of the total cost of the transaction (i.e. $0.20 for a $10 license) for credit card processing. There is also a

$0.41 ITS processing fee associated with each transaction that goes through the Common Payment Service. Fulfillment costs will also be calculated into the transaction fee, but because the new license processing will change, no exact estimate is available yet. This note assumes fulfillment costs of $0.20 per license sold for license stock and processing time. The table below shows the online transaction costs associated with the CRFL.

Table 7: Online Transaction Fees Associated with CRFL Sales

	Annual	10-Day	Lifetime (<18 yrs)	Lifetime (18-62 yrs)	Lifetime (≥62 yrs)
Total Proposed CRFLs	512,536	768,804	4,271	3,365	5,307
Proposed Fee Amount	$10	$5	$150	$200	exempt
2% Credit Card Fee	$0.20	$0.10	$3.00	$4.00	$0
Subtotal:	$102,507	$76,880	$12,813	$13,461	$0
$0.41 ITS Fee	$210,140	$315,210	$1,751	$1,380	$0
$0.20 Fulfillment Cost	$102,507	$153,761	$854	$673	$0
Totals	**$415,154**	**$545,851**	**$15,419**	**$15,513**	**$0**
Total Transaction Fees	**$991,937**				
Total CRFLs	**1,288,977**	(total less ≥62 yrs old exemption)			
Average Fee / CRFL	**$0.77**				

The number of agent in-person sales vs. online sales will depend on the timing of the system modifications and how quickly CRFLs can be sold only via the Internet. The WRC is experiencing some movement toward its current Internet sales option with 10% of license sales occurring online. Once the new Internet system is in place, 100% of license sales will occur online, whether via an agent or direct customer sales. The table above projects transaction fees at 100% online sales. Administrative costs for fiscal year 2003-04 are estimated differently due to limited sales time and a mix of online and agent sales.

The administration estimate is based on the following assumptions:

1. All CRFL license types (annual, 10-day, and lifetime) will eventually be sold via the online Internet sales option.

2. Licensed agents will sell approximately 90% of all licenses sold in fiscal year 2003-04 at a $2.00 per license transaction rate.

3. The remaining 10% of licenses sold in fiscal year 2003-04 are estimated to be online sales at a $0.77 per license transaction rate.

4. Transaction costs for the last six months of FY 2003-04 are estimated to be 35% of the annual amount to align with typical license sales from January to June.

5. All licenses sold in future fiscal years are estimated to be online sales at a $0.77 per license transaction rate.

6. For the purposes of this analysis, the administrative officer and computer programmer positions are assumed to be effective August 1, 2003, to allow for program and system preparation. The remaining four positions are assumed to be effective September 1, 2003, or six months prior to the effective date of the licenses to allow for recruitment and training.

The total estimated budget for Marine Fisheries to administer the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 8: Division of Marine Fisheries, Budget Requirements for Administration

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Administrative Personnel					
Administrative Officer II	36,892	42,217	44,328	46,544	48,870
Applications Analyst Programmer II	58,175	66,573	69,901	73,396	77,065
Accounting Clerk IV	22,080	27,795	29,185	30,644	32,176
Processing Assistant IV (3 FTEs)	66,240	83,386	87,555	91,933	96,529
Total Salaries and Benefits	183,387	219,971	230,969	242,517	254,640
Positions	*5.2*	*6.0*	*6.0*	*6.0*	*6.0*
Operating Expenses for Admin.	47,000	21,000	21,000	21,000	21,000
Computer Expenses	1,008,000	39,300	39,300	39,300	39,300
Transaction Fee Paid to WRC	846,773	991,937	991,937	991,937	991,937
Total Requirements	**$2,085,160**	**$1,272,208**	**$1,283,206**	**$1,294,754**	**$1,306,877**

Enforcement: HB 831 makes it unlawful for any person to engage in recreational fishing without first holding a Coastal Recreational Fishing License. The Division of Marine Fisheries' Marine Patrol Section has the duty of enforcing all laws relating to conservation of marine and estuarine resources (G.S. 113-8). According to DMF, a total of 6,336 hours was spent checking recreational fishermen for catch and size limits in the year 2000. Based on the current workforce of 43 marine patrol officers, 6,336 hours equates to less than ten percent of their patrol time. With the implementation of the recreational saltwater fishing license, the Division anticipates placing more emphasis on recreational fishing.

To adequately enforce the estimated CRFL's projected to be sold, the Division estimates that it will need 10 additional marine patrol officers. These additional officers in combination with existing staff will allow the Division to check between 16 and 32 percent of the license holders on an annual basis. This assumes a work year of 230 days and an average of five to ten checks per hour per officer or 40 to 80 license checks per day per officer. [230 days x 40 to 80 license checks per day = 9,200 to 18,400 license checks per new officer x 10 FTEs = 92,000 to 184,000 license checks annually plus existing staff time of 6,336 hours or approximately 792 days x 40 to

80 license checks per day = 31,680 to 63,360 license checks annually with existing staff time for a total of 123,680 to 247,360 licenses checked annually.]

Each marine patrol officer currently employed by the Division is assigned a motor vehicle and marine patrol boat for duty. Based on this practice, each of the 10 new positions will require a motor vehicle, leased from motor pool at approximately $4,800 per year, and a marine patrol boat at approximately $45,000 per boat. Marine patrol boats are currently replaced every 5 to 6 years.

For the purposes of this analysis, the marine patrol officers are assumed to be effective September 1, 2003, or six months prior to the effective date of the licenses to allow for recruitment and training. Operating support for the 2003-04 fiscal year is reduced proportionally.

The total estimated budget for Marine Fisheries to enforce the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 9: Division of Marine Fisheries, Budget Requirements for Enforcement

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Enforcement Personnel					
Marine Enforcement Officer I (10 FTEs)	285,950	359,950	377,950	396,850	416,695
Operating Expenses for Enforcement	556,250	95,000	95,000	95,000	95,000
Total Requirements	**$842,200**	**$454,950**	**$472,950**	**$491,850**	**$511,695**
Positions	*8.0*	*10.0*	*10.0*	*10.0*	*10.0*

Board of Trustees – Marine Resources Restoration Fund

The bill provides for a Board of Trustees to oversee the disbursement of moneys from the Fund. Membership, terms, and meeting frequency are specified in the bill. The bill allows the use of Fund revenues to pay per diem, travel and subsistence expenses for Trustees. No exact estimate of expenses is available; however, there will not be a General Fund impact.

Appropriations

HB 831 authorizes up to 10% of the funds credited to the Marine Resources Restoration Fund to be used for administrative costs. Based on the revenue projections outlined on page 5 (Table 6), the allowance will not cover the required administrative expenditures beginning with the 2003-04 fiscal year. Administrative costs would be covered by a transfer of 56% of the net revenues in the Fund in fiscal year 2003-04 and approximately a 12-15% transfer of the Fund revenues in subsequent years. The first year is significantly higher due to the start-up costs associated with establishing the CRFL program. *Funds would need to be initially loaned or appropriated to establish the licensing effort before revenues would be realized and transferred to the program's administrative requirements.*

Assuming DENR authorizes the maximum 10% for administration in each fiscal year, the General Fund allocations will be as follows:

Table 10: Appropriation Required/Remaining for License Implementation

		FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
1	Total Administrative Requirements	$2,085,160	$1,272,208	$1,283,206	$1,294,754	$1,306,877
2	10% Admin Allowance, Fund Transfer	(338,313)	(966,610)	(966,610)	(966,610)	(966,610)
3	**Appropriation for Admin**	**1,746,847**	**305,598**	**316,597**	**328,145**	**340,267**
4	Total Enforcement Requirements	842,200	454,950	472,950	491,850	511,695
5	Wildlife Resources Commission Start-up	500,000	-	-	-	-
5	**Total Appropriation Required**	**$3,089,047***	**$760,548**	**$789,547**	**$819,995**	**$851,962**

*The initial first-year appropriation amount will be **$3,427,360** because costs will be incurred before revenues will be realized. (FY 03-04 line 2 will be required up-front to implement the program but may be repaid after revenues are generated.)

SOURCES OF DATA: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission

TECHNICAL CONSIDERATIONS:

1) The provisions of the Coastal Recreational Fishing License become effective March 1, 2004. In order to give the public time to purchase a license prior to the license requirement becoming effective, this analysis assumed that license sales would begin January 1, 2004, two months prior to the March 1 effective date. However, the bill is silent as to the date that license sales can begin.

2) The Division of Marine Fisheries and Wildlife Resources Commission expenditures associated with the implementation of the Coastal Recreational Fishing License may change once planning and technical specifications are further detailed. The Information Resource

Management Commission (IRMC) must approve the business case and technical interfaces between the systems prior to funds being expended. The business case analysis will assist with cost estimates. Specifically, the programming and computer equipment costs may change once project specifications are mapped more thoroughly. As the project progresses from planning into implementation phases, the estimated transaction costs of $2 per license sold by an agent and $0.77 per license sold online may be changed due to the further development of the online licensing process.

3) The legislation authorizes up to 95% of the Marine Resources Restoration Fund balance to be allocated towards specific functions. The legislation is unclear as to how the excess funds are to be administered or held, although it could be assumed the Board of Trustees expenses are paid from the remaining 5%.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Stephanie Schmitt Stephanie Schmitt

APPROVED BY: James D. Johnson, Director, Fiscal Research Division

James D Johnson

DATE: July 9, 2003

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 831 DATE 7-16-03

S. B. No. _____ Amendment No. 1

COMMITTEE SUBSTITUTE ✓ H831-CSSB-46[v.2] (to be filled in by Principal Clerk)

(Rep.) Sen.) Sexton

moves to amend the bill on page 5, between, lines 38 and 39

( ) WHICH CHANGES THE TITLE

by inserting between those lines:

"(6) Is fishing from the shore."

SIGNED Wayne Sexton

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 16, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Natalie Towns	NC Child Advocacy Institute
Jessica Dandy	Covenant w/ NC's children
Paula A. Wolf	Covenant w/ NC's Children
Jane Pinsky	NCCAT
Colleen Kochavek	Hafer & Caldwell. P.A.
ANAND RAMASWAMY	ALAMANCE Co. D.A.'S OFFICE - ASST D.A.
Michael Housek	NCAE
FREDIE DAVIS	NCAE
Carolyn McKinney	NCAE
Leanne Winner	NCSBA
[illegible]	Gov's office

VISITOR REGISTRATION SHEET

APPROPRIATIONS — JULY 16, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
HANK GILBERT	DAVID KNIGHT
Lauren Hoers	NC Sierra Club
Jerry Rupe	NC Coastal
Sabina Jang	David Knight
Richard Duncan	Self
ROBERT FERRIS	CHARLOTTE OFFSHORE FISHING CLUB
BILL MANDULAK	COASTAL CONSERVATION ASSOC.
DONNA PERRY	DOJDP



VISITOR REGISTRATION SHEET

APPROPRIATIONS — Name of Committee

JULY 16, 2003 — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Jessica Bolt	DHHS-DCD
Julie Mocklear	DHHS - DCD
Kathleen Joyce	NCASA
Glenn Lowe	Public School Forum
John O'Hale	Governor's Office
Leslie Bevacqua	NCCBI
Julie Woodard	NCCBI
John Rust	NCFPC
Jamie McEachern	NCFPC
Charles "CW" Williams	* Top Dog *
Brooke Everley	NCFPC
Joan Pierce	Capitol Groups
Tom Sri	NCRMA
Elizabeth Dalton	Firemen Assoc
JERRY SCHILL	NC Fisheries Assoc
John Madler	NC Sentencing Commission
Julian Cyrus	NC State Grange
Preston Pate	NC DMF
Sheryl Stephens	DENR
Jane Morgan	Office of the Governor
Sue Ann Coe	NCPA
Suzanne Williams	NCCCS
Adam Sudduth	NCSOA
Ed Powell	NCICU
Amy Lory	Duke MC
Carol Lowery	EGHS
Kim Hibbard	NCLM

VISITOR REGISTRATION SHEET

APPROPRIATIONS — Name of Committee

JULY 16. 2003 — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Andy Romanet	NCLM
Rob Haney	HHS
Martha Glenn	NCDHHS
Grant Harrison	UCR
Linda Hayes	SBE
Dana Simpson	Smith Anderson
Jon Underwood	Progress Energy
Roz Sawyer	NC Child Care Coalition
Jeanne Winner	NCSBA
Lloyd Hearn	NCPIAPA
Ann McArthur	Governor's Office
Ellis Hankins	NCLM
Susan Valentine	Retirement
John McAlister	Duke Energy
Hugh Tilson	NCHA
Cam McLeod	AG's Off.
Angela Horne	NCMS
Trish Harker	Smith Anderson
Barbara Sanders	MFSS
Evelyn Thomas Brooks	EOHR
Tom Pendergraft	Retirement
Robert Wilson	Sec. of State
Molly Rose	NCSBA
Eddie Caldwell	Hafer & Caldwell PA

VISITOR REGISTRATION SHEET

APPROPRIATIONS — Name of Committee

JULY 16, 2003 — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
DAN WHITTLE	Environmental Defense
Chris Brook	Environmental Defense
Mel Broughton	CCA - NC
Luther Penny	Coastal Conservation Assn of NC
Jenny Matthews	CCA - NC / Womble Carlyle
Lawrence Davis	CCA - NC / Womble Carlyle
Tom BEAN	NC Enviro Defense
David Knight	NC Sierra Club, NCWF
Steve Wall	Conservation Council
Rob Lamm	APPLS
Jessica Lewis	Research - NCGA
Caroline McMillin	NC Conservation Network
Lynn Mahaffey	Fiscal Research Division
Mike Diggis	Sierra Club
[illegible]	MHA/NC COM
Jim Stephenson	NC Coastal Federation
Elizabeth Ouzts	NCWF

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE & BILL SPONSOR NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Thursday, July 17, 2003**

TIME: **10:00 a.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 831 **Coastal Recreational Fishing License/Fund (continuation of Wednesday discussion)**

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **4:30 pm** on **July 16, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

North Carolina General Assembly
Raleigh, North Carolina 27601

HOUSE APPROPRIATIONS COMMITTEE
July 17, 2003
10:00 A.M.
Room 643

Representative Beverly Earle, Presiding

Chairman's Comments

Bills

HB 831 **COASTAL RECREATIONAL FISHING LICENSE/FUND**
Rep. Gibson
Rep. McComas

Adjourn

HOUSE APPROPRIATIONS COMMITTEE

July 17, 2002
Room 643
10:00 a.m.

MINUTES

House Appropriations Committee Co-Chair Representative Beverly Earle called the meeting to order at 10:10 a.m. She welcomed everyone, introduced the Pages and stated that the committee would review and take action on House 831: **A BILL TO BE ENTITLED AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE AND A MARINE RESOURCES RESTORATION FUND TO RESTORE, PROTECT, AND ENHANCE THE MARINE RESOURCES OF THE STATE.** Copies of the bill were distributed and Representative Pryor Gibson was recognized to explain the bill. Representative McComas (primary sponsor) asked that Mr. Preston Pate with Marine Fisheries be allowed to answer any questions pertaining to the bill. Mr. Pate was not present at the time. No one else from the Marine Fisheries was present to answer questions.

Representative Gibson continued to explain the bill and answer any questions.

The following amendments were submitted:

AMENDMENT 1: Representative Wayne Sexton moves to amend the bill on page 5, between, lines 38 and 39 by inserting between those lines: "(6) Is fishing from the shore." The amendment was adopted by a roll call vote.

AMENDMENT 2: Representative Mickey Michaux moves to amend the bill on page 5 lines 4 and 15 by deleting "the United State Social Security Administration." And substituting a licensed medical doctor." The amendment was adopted by a voice vote.

AMENDMENT 3: Representative Paul Stam moves to amend the bill on page 1, by rewriting the Short Title to read: "Coastal Recreational Fishing License.:
on page 1, lines 2 through 4, by rewriting those lines to read: "AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE."; on page 2, lines 11 through 30, by rewriting those lines to read:

"Whereas, a system for licensing coastal recreational fishers would enable the Division of Marine Fisheries to better disseminate information to and gather information from recreational fishers, the largest marine resources user group in our Stat; and

Whereas, North Carolina is the only coastal state between Delaware and Texas that is not benefiting from a system for licensing coastal recreational fishing; Now, therefore,;
on page 6, between lines 3 and 4, by inserting:

"(f) Fees collected under this section shall be credited to the General Fund.";
The amendment was adopted by a roll call vote.

AMENDMENT 4: Representative Thomas Wright moves to amend the bill on page 5, lines 38 and 39 by inserting between those lines:
"(6) Is a resident of one of the following coastal counties: Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Gates, Hertford, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, or Washington. The amendment was withdrawn.

AMENDMENT 5: Representative Stephen LaRoque moves to amend the bill on page 5, lines 38-39 by inserting between those lines the following:
"(6) Is fishing with hook an line in the county of the individual's residence using natural bait. The amendment failed.

House Appropriations Co-Chair Representative Beverly Earle moved to give the committee substitute bill #3, which changes the title, unfavorable as to the committee substitute #2.

The meeting was adjourned.

Attachments

Attachment 1	Agenda
Attachment 2	Attendance Sheet
Attachment 3	HB 831
Attachment 4	Fiscal Analysis Report
Attachment 5	Summary
Attachments 6-10	Amendments
Attachment 11	Visitors Registration

Representative Beverly Earle, Co-Chair
Presiding

Ann Raeford, Committee Clerk

Representative Rex Baker, Co-Chair
Representative Debbie Clary, Co-Chair
Representative Jim Crawford, Co-Chair
Representative Robert Grady, Co-Chair
Representative Bill Owens, Co-Chair
Representative Wilma Sherrill, Co-Chair
Representative Thomas Wright, Co-Chair

Ann Rayford

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute ~~for~~ #2
H.B. 831 A BILL TO BE ENTITLED AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE AND A MARINE RESOUCES RESTORATION FUND TO RESTORE, PROTECT, AND ENHANCE THE MARINE RESOURCES OF THE STATE.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the committee substitute bill (# 3), ☒ which changes the title, unfavorable as to ~~(the original bill)~~ (Committee Substitute Bill # 2), ~~(and recommendation that the committee substitute bill #) be re-referred to the Committee on)~~

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 831*

Committee Substitute Favorable 5/20/03
Committee Substitute #2 Favorable 7/9/03
PROPOSED COMMITTEE SUBSTITUTE H831-CSSB-46 [v.2]

7/16/2003 9:27:03 AM

Short Title: Coastal Recreational Fishing License/Fund. (Public)

Sponsors:

Referred to:

April 2, 2003

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE AND A MARINE RESOURCES RESTORATION FUND TO RESTORE, PROTECT, AND ENHANCE THE MARINE RESOURCES OF THE STATE.

Whereas, the State of North Carolina has one of the most diverse fisheries in the United States; and

Whereas, the General Assembly recognizes that for many citizens fishing is an important recreational activity and that coastal recreational fishing is a source of great personal enjoyment and satisfaction; and

Whereas, the General Assembly recognizes the importance of providing plentiful fishery resources to maintain and enhance tourism as a major contributor to the economy of the State; and

Whereas, the General Assembly recognizes that commercial fishermen perform an essential function by providing wholesome food for the citizens of the State, nation, and world, and thereby properly earn a livelihood; and

Whereas, the General Assembly recognizes the economic contribution and important heritage of traditional full-time and part-time commercial fishing; and

Whereas, the General Assembly recognizes the need to protect our coastal fishery resources and to balance the commercial and recreational interests through better management of these resources; and

Whereas, the General Assembly is committed to the continued viability of both recreational and commercial fishing industries in the State; and

Whereas, the General Assembly intends that the commercial fishing industry be allowed to continue to take fish by means of all methods traditionally employed in commercial fishing operations, including the use of nets and trawls; and

Whereas, the General Assembly finds that in order to protect coastal fishery resources, it is essential that the recreational as well as the commercial fishing sectors provide data on use of fishery resources for the development of scientifically valid plans to manage fishery resources; and

Whereas, the General Assembly finds that it is essential to the success of efforts to better manage fishery resources that both the recreational and commercial fishing sectors are involved in and support these efforts; and

Whereas, management of marine resources can achieve significant restoration of stocks as demonstrated by the role regulation of overfishing has played in restoring stocks of species such as striped bass; and

Whereas, implementing a system for licensing coastal recreational fishers and establishing a fund containing revenue generated by the licensing system would enable the Division of Marine Fisheries to better disseminate information to and gather information from recreational fishers, who are the largest marine resources user group in our State, and would enable the Division to better manage the marine resources of the State through habitat protection and research; and

Whereas, an objective poll conducted by North Carolina State University found that almost 80% of recreational fishers in North Carolina support the establishment of a system for licensing coastal recreational fishing, with the revenues from the license to be used to manage the marine resources of the State; and

Whereas, recreational fishers should help pay for the fishery regulation and management efforts of the State and should have a voice in this regulation and management; and

Whereas, North Carolina is the only coastal state between Delaware and Texas that is not benefiting from a system for licensing coastal recreational fishing; and

Whereas, the establishment of a system for licensing coastal recreational fishing and the revenue that such a license would generate for the protection, restoration, and enhancement of the marine resources of the State offer the best hope for the long-term health of the coastal tourism, boating, and fishing industries of North Carolina; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. Chapter 113 of the General Statutes is amended by adding two new Articles to read:

"Article 14B.

"Coastal Recreational Fishing Licenses.

"**§ 113-174. Definitions.**

As used in this Article:

(1) 'Commission' means the Marine Fisheries Commission.

(2) 'CRFL' means Coastal Recreational Fishing License.

(3) 'Division' means the Division of Marine Fisheries in the Department of Environment and Natural Resources.

(4) 'North Carolina resident' means an individual who is a resident within the meaning of G.S. 113-130(4).

(5) 'RCGL' means Recreational Commercial Gear License.

(6) 'Recreational fishing' means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, by any means:
a. That does not constitute a commercial fishing operation as defined in G.S. 113-168.
b. Except as provided in G.S. 113-261.
(7) 'RSCFL' means Retired Standard Commercial Fishing License issued pursuant to G.S. 113-168.3.
(8) 'SCFL' means Standard Commercial Fishing License issued pursuant to G.S. 113-168.2.

"**§ 113-174.1. General provisions governing recreational licenses.**

(a) License Required to Engage in Recreational Fishing. – It is unlawful for any individual to engage in recreational fishing in coastal fishing waters without holding a license required by this Article. It is unlawful for any individual to engage in recreational fishing without complying with the provisions of this Article and rules adopted by the Commission under this Article.

(b) Sale of Fish Prohibited. – A license issued under this Article does not authorize an individual who takes or lands any species of fish under the authority of the Commission to sell, offer for sale, barter, or exchange the fish for anything of value. Except as provided in G.S. 113-168.4, it is unlawful for any individual who takes or lands any species of fish under the authority of the Commission by any means to sell, offer for sale, barter, or exchange these fish for anything of value.

(c) Assignment and Transfer Prohibited. – Except as provided in G.S. 113-174.3(e)(1), it is unlawful to buy, sell, lend, borrow, assign, or otherwise transfer a license issued under this Article or to attempt to buy, sell, lend, borrow, assign, or otherwise transfer a license issued under this Article.

(d) Format. – A license issued under this Article shall be issued in the name of the applicant. A license shall show the type of license; the name, mailing address, physical or residence address, and date of birth of the licensee; the date on which the license is issued; the date on which the license expires; and any other information that the Commission or the Division determines to be necessary to accomplish the purposes of this Subchapter.

(e) Licenses Available for Inspection. – It is unlawful for any individual to engage in recreational fishing in coastal fishing waters in the State without having ready at hand for inspection all licenses required under this Article. It is unlawful for an individual to refuse to exhibit any license required by this Article upon the request of an inspector or other law enforcement officer authorized to enforce federal or State laws, regulations, or rules relating to marine fisheries.

(f) Replacement Licenses. – The Division shall issue a replacement license to a licensee for a license that has not been suspended or revoked. A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and shall apply for a replacement license within 30 days of a change in the licensee's name or address. A licensee may apply for a replacement license in person at any office of the Division or by mail to the Morehead City office of the Division. A licensee may use a

copy of the application for a replacement license that has been filed with the Division as a temporary license until the licensee receives the replacement license. The Commission may establish a fee for each type of replacement license, not to exceed five dollars ($5.00), that compensates the Division for the administrative costs associated with issuing the replacement license.

(g) No Dual Residency. – It is unlawful for any individual to hold any license issued under this Article to the individual as a North Carolina resident if that individual holds any commercial or recreational fishing license issued by another state to the individual as a resident of that state.

(h) Limitations on Eligibility. – An individual is not eligible to obtain a license under this Article if, at the time the individual applies for the license, any other license or endorsement issued to the individual under this Article is suspended or revoked. An individual is not eligible to obtain a license under this Article if, within the three years prior to the date of application, the individual has been determined to be responsible for four or more violations of State laws, regulations, or rules governing the management of marine and estuarine resources. An applicant for a license under this Article shall certify that the applicant has not been determined to be responsible for four or more violations of State laws, regulations, or rules governing the management of marine and estuarine resources during the previous three years. The Division may also consider violations of federal law and regulations governing the management of marine and estuarine resources in determining whether an applicant is eligible for a license.

(i) Cancellation. – The Division may cancel a license issued on the basis of an application that contains false information supplied by the applicant. A cancelled license is void from the date of issuance. An individual in possession of a cancelled license shall surrender the cancelled license to the Division. It is unlawful to refuse to surrender a cancelled license upon demand of any authorized agent of the Division.

(j) Reporting Requirements. – The holder of a license issued under this Article shall comply with the biological data sampling and survey programs of the Commission and the Division.

(k) Confidentiality of Information. – Information collected pursuant to this Article, including the names and addresses of licensed individuals, is confidential and is not a public record under Chapter 132 of the General Statutes.

"**§ 113-174.2. Coastal Recreational Fishing License.**

(a) License Required. – Except as otherwise provided in this Article, it is unlawful for any individual to engage in recreational fishing in coastal fishing waters by means of recreational gear without holding a CRFL issued under this section. It is unlawful for any individual licensed under this section or fishing under a CRFL to possess fish in excess of recreational size or possession limits.

(b) Purchase; Renewal. – Any license issued under this section may be purchased at designated offices of the Division or from the Division by mail. A license issued under subdivisions (1) and (2) of subsection (c) of this section may also be purchased through a license agent authorized under G.S. 113-174.5. Any license issued under this section may be renewed by mail.

(c) Types of CRFLs; Fees; Duration. – The Division shall issue the following CRFLs:

(1) Standard CRFL. – $10.00. This license is valid for a period of one year from the date of issuance.

(2) Ten-Day CRFL. – $5.00. This license is valid for a period of 10 days.

(3) Lifetime CRFL. – This license is valid for the lifetime of the licensee. The fee for the Lifetime CRFL, based on the age of the prospective licensee as of the date on which the application is filed with the Division, is:

a.	Younger than 18 years of age	$150.00
b.	18 years of age to younger than 62 years of age	$200.00

(4) Disabled Individual CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is disabled as determined by the United States Social Security Administration. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the individual so long as the individual remains disabled.

(5) Disabled Veteran CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is a fifty percent (50%) or more disabled veteran as determined by the United States Department of Veterans Affairs. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the individual so long as the individual remains fifty percent (50%) or more disabled.

(6) Legally Blind Lifetime CRFL. – An applicant for a license under this subdivision shall provide documentation to the Division to demonstrate that the applicant is legally blind. A license issued under this subdivision shall be issued without charge and is valid for the lifetime of the licensee.

(d) Exemptions. – An individual may engage in recreational fishing by means of recreational gear without holding a CRFL if the individual:

(1) Is under 16 years of age.

(2) Is 62 years of age or older.

(3) Holds a SCFL or a RSCFL.

(4) Holds a Lifetime Resident Comprehensive Fishing License under G.S. 113-271(d)(3) or a Lifetime Sportsman License under G.S. 113-270.1D(b).

(5) Is fishing from a public bridge.

(e) Notwithstanding the fee for the Standard CRFL specified in subdivision (1) of subsection (c) of this section, if the Commission finds that a state has established a coastal recreational fishing license fee that exceeds the fee for the Standard CRFL, the Commission may increase the fee for the Standard CRFL applicable to residents of that state to an amount equal to the fee a North Carolina resident is required to pay for a coastal recreational fishing license in that state. The action of the Commission to

increase a fee pursuant to this subsection is not subject to the provisions of Article 2A of Chapter 150B of the General Statutes. The action of the Commission to increase a fee pursuant to this subsection becomes effective on the date specified by the Commission.

"**§ 113-174.3. Recreational Commercial Gear License.**

(a) License Required. – Except as provided in subsection (e) of this section, it is unlawful for any individual to engage in recreational fishing by means of commercial fishing equipment or gear in coastal fishing waters without holding a RCGL. The RCGL entitles the licensee to use authorized commercial gear to take fish for personal use subject to recreational size and possession limits. It is unlawful for any individual licensed under this section or fishing under a RCGL to possess fish in excess of recreational size or possession limits.

(b) Authorized Commercial Gear. –

(1) The Commission shall adopt rules authorizing the use of a limited amount of commercial fishing equipment or gear for recreational fishing under a RCGL. The Commission may authorize the limited use of commercial gear on a uniform basis in all coastal fishing waters or may vary the limited use of commercial gear within specified areas of the coastal fishing waters. The Commission shall periodically evaluate and revise the authorized use of commercial gear for recreational fishing. Authorized commercial gear shall be identified by visible colored tags or other means specified by the Commission in order to distinguish between commercial gear used in a commercial fishing operation as defined in G.S. 113-168 and commercial gear used for recreational purposes.

(2) An individual who holds a RCGL may use up to 100 yards of gill net to take fish for recreational purposes. Two individuals who each hold a RCGL and who are fishing from a single vessel may use up to a combined 200 yards of gill net to take fish for recreational purposes. No more than 200 yards of gill net may be used to take fish for recreational purposes from a single vessel regardless of the number of individuals aboard the vessel who hold a RCGL.

(c) Purchase; Renewal. – A RCGL may be purchased at designated offices of the Division and from a license agent authorized under G.S. 113-174.5. A RCGL may be renewed by mail.

(d) Duration; Fees. – The RCGL shall be valid for a one-year period from the date of purchase. The fee for a RCGL for a North Carolina resident shall be thirty-five dollars ($35.00). The fee for a RCGL for an individual who is not a North Carolina resident shall be two hundred fifty dollars ($250.00).

(e) Exemptions. –

(1) An individual who is under 16 years of age may engage in recreational fishing by means of authorized commercial gear without holding a RCGL if the individual is accompanied by a parent, grandparent, or guardian who holds a valid RCGL or if the individual has in the

individual's possession a valid RCGL issued to the individual's parent, grandparent, or guardian.

(2) An individual may engage in recreational fishing for crabs by means of one or more crab pots attached to the shore along privately owned land or to a privately owned pier without holding a RCGL provided that the crab pots are attached with the permission of the owner of the land or pier.

(3) An individual who is on a vessel may engage in recreational fishing by means of authorized commercial gear without holding a RCGL if there is another individual on the vessel who holds a valid RCGL. This exemption does not authorize the use of commercial gear in excess of that authorized for use by the individual who holds the valid RCGL or, if more than one individual on the vessel holds a RCGL, in excess of that authorized for use by those individuals.

(4) An individual using nonmechanical means may take shellfish for personal use within the limits specified in G.S. 113-169.2(i) without holding a RCGL.

(5) An individual may take fish for recreational purposes by means of a gig without holding a RCGL.

"**§ 113-174.4. License agents.**

(a) The Secretary shall designate license agents for the Department. At least one license agent shall be designated for each county that contains or borders on coastal fishing waters. The Secretary may designate additional license agents in any county if the Secretary determines that additional agents are needed to provide efficient service to the public. The Division and license agents designated by the Secretary under this section shall issue licenses authorized under this Article in accordance with this Article and the rules of the Commission.

(b) The Secretary may require license agents to enter into a contract that provides for their duties and compensation, post a bond, and submit to reasonable inspections and audits. If a license agent violates any provision of this Article, the rules of the Commission, or the terms of the contract, the Secretary may initiate proceedings for the forfeiture of the license agent's bond and may summarily suspend, revoke, or refuse to renew a designation as a license agent and may impound or require the return of all licenses, moneys, record books, reports, license forms, and other documents, ledgers, and materials pertinent or apparently pertinent to the license agency. The Secretary shall report evidence of misuse of State property, including license fees, by a license agent to the State Bureau of Investigation as provided by G.S. 114-15.1.

(c) A license agent may deduct a fee of six percent (6%) from the amount collected for each license.

"Article 14C.

"Marine Resources Restoration Fund.

"**§ 113-175. Definitions.**

As used in this section:

(1) 'Board of Trustees' means the Board of Trustees of the Fund.

(2) 'Fund' means the Marine Resources Restoration Fund.

(3) 'License revenues' means the net proceeds from the sale of licenses issued under G.S. 113-174.2 and interest earned from the investment of license proceeds. The term includes funds realized from the sale, lease, rental, or other grant of rights to real or personal property acquired or produced with license revenues and federal aid project reimbursements to the extent that license revenues originally funded the project for which the reimbursement is made.

"**§ 113-175.1. Marine Resources Restoration Fund.**

The Marine Resources Restoration Fund is established as a special nonreverting fund within the Department. License revenues shall be deposited in the Fund. The State Treasurer shall invest the assets of the Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3.

"**§ 113-175.2. Board of Trustees of the Marine Resources Restoration Fund.**

(a) Board of Trustees. – There is hereby established the Board of Trustees of the Marine Resources Restoration Fund. The Board of Trustees shall be independent, but for administrative purposes shall be located under the Department.

(b) Membership, Qualifications. – The Board of Trustees shall consist of seven members appointed to three-year terms as follows:

(1) One member appointed by the Governor to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(2) One member appointed by the Governor to a term that expires on July 1 of years that are evenly divisible by three.

(3) One member appointed by the Governor to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(4) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(5) One member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives to a term that expires on July 1 of years that are evenly divisible by three.

(6) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that follow by one year those years that are evenly divisible by three.

(7) One member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate to a term that expires on July 1 of years that precede by one year those years that are evenly divisible by three.

(c) Qualifications. – A person must hold a license issued under G.S. 113-174.2 at the time of appointment in order to be eligible for appointment to the Board of Trustees

under subsection (b) of this section. A person appointed under subsection (b) must continue to hold a license issued under G.S. 113-174.2 in order to remain eligible to serve on the Board of Trustees.

(d) Officers. – The Governor shall appoint the Chair and Vice-Chair of the Board of Trustees from among the persons appointed under subsection (b) of this section.

(e) Vacancies. – If a vacancy occurs for a member subject to appointment by the General Assembly upon the recommendation of the Speaker of the House of Representatives or the President Pro Tempore of the Senate, the vacancy shall be filled in accordance with G.S. 120-122. All other vacancies shall be filled by the appointing official in the original manner.

(f) Meetings; Frequency. – The Board of Trustees shall meet at least twice each year and may hold special meetings at the call of the Chair or a majority of the members. Four members of the Board of Trustees shall constitute a quorum for the transaction of business.

(g) Per Diem and Expenses. – The Trustees shall receive per diem and necessary travel and subsistence expenses in accordance with the provisions of G.S. 138-5. Per diem, travel, and subsistence expenses shall be paid from the Fund.

"**§ 113-175.3. Allocation of moneys from the Fund.**

The Secretary shall disburse moneys from the Fund only upon written direction from the Board of Trustees. The Board of Trustees shall use moneys that accrue to the Fund in each fiscal year for the administration of the provisions of Subchapter IV of Chapter 113 of the General Statutes related to marine fisheries as follows:

(1) Resource and habitat enhancement. – Not less than thirty-five percent (35%) of the moneys in the Fund shall be used for resource and habitat enhancement, including, but not limited to, artificial reef construction, restoration and enhancement of submerged aquatic vegetation, acquisition of land or an interest in land that provides for the preservation of critical fisheries habitat, and studies used in the development of a Fishery Management Plan or a Coastal Habitat Protection Plan.

(2) Marine fisheries research. – Not less than thirty-five percent (35%) of the moneys in the Fund shall be used for marine fisheries research, including, but not limited to, life history studies of commercially or recreationally significant marine and estuarine species or fisheries, sampling and statistical studies, data collection and analysis, fisheries habitat studies, commercial and recreational discard mortality studies, and studies used in the development of a Fishery Management Plan or a Coastal Habitat Protection Plan.

(3) Administration. – Not more than fifteen percent (15%) of the moneys, exclusive of the license agent fees, in the Fund shall be used for administrative costs.

(4) Public education and information. – Not less than five percent (5%) but no more than ten percent (10%) of the moneys in the Fund shall be used for public education and information.

(5) Grants. – Not more than five percent (5%) of the moneys in the Fund shall be used to fund grants for coastal fishing programs, projects, and scholarships.

"**§ 113-175.4. Report.**

The Chair of the Board of Trustees shall submit to the Joint Legislative Commission on Seafood and Aquaculture and the Joint Legislative Commission on Governmental Operations by September 30 of each year a report on the Fund that shall include the source and amounts of all.moneys credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year."

SECTION 2. G.S. 113-168(1) reads as rewritten:

"(1) 'Commercial fishing operation' means any activity preparatory to, during, or subsequent to the taking of any fish, the taking of which is subject to regulation by the Commission, either with the use of commercial fishing equipment or gear, or by any means if the purpose of the taking is to obtain fish for sale. Commercial fishing operation does not include (i) the taking of fish as part of a recreational fishing tournament, unless commercial fishing equipment or gear is ~~used or~~ used, (ii) the taking of fish under a ~~RCGL.~~ RCGL, or (iii) the taking of fish as provided in G.S. 113-261."

SECTION 3. The catch line of G.S. 113-168.1 reads as rewritten:

"**§ 113-168.1. General provisions governing commercial licenses and endorsements.**"

SECTION 4. G.S. 113-168.1(a) reads as rewritten:

"(a) Duration, Fees. – ~~Except as provided in G.S. 113-173(f), all~~ All licenses and endorsements issued under this Article expire on the last day of the license year. An applicant for any license or endorsement shall pay the full annual fee at the time the applicant applies for the license or endorsement regardless of when application is made."

SECTION 5. G.S. 113-168.1(f) reads as rewritten:

"(f) License Issuance and Renewal. – ~~Except as provided in G.S. 113-173(d), the~~ The Division shall issue licenses and endorsements under this Article to eligible applicants at any office of the Division or by mail from the Morehead City office of the Division. A license or endorsement may be renewed in person at any office of the Division or by mail to the Morehead City office of the Division. Eligibility to renew an expired SCFL shall end one year after the date of expiration of the SCFL."

SECTION 6. G.S. 113-172 is repealed.

SECTION 7. G.S. 113-173 is repealed.

SECTION 8. G.S. 143B-289.52(a) is amended by adding a new subdivision to read:

"(13) To adopt rules to define fishing gear as either recreational gear or commercial gear for purposes of implementing Article 14B of Chapter 113 of the General Statutes."

SECTION 9. In order to provide for a system of staggered three-year terms for members of the Board of Trustees of the Marine Resources Restoration Fund

established by G.S. 113-175.2, as enacted by Section 1 of this act, the following provisions shall apply:

(1) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(1) shall be four years and three months and shall expire on July 1, 2009.

(2) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(2) shall be two years and three months and shall expire on July 1, 2007.

(3) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(3) shall be three years and three months and shall expire on July 1, 2008.

(4) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(4) shall be four years and three months and shall expire on July 1, 2009.

(5) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(5) shall be two years and three months and shall expire on July 1, 2007.

(6) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(6) shall be three years and three months and shall expire on July 1, 2008.

(7) The term of the member initially appointed to serve in the position established by G.S. 113-175.2(7) shall be four years and three months and shall expire on July 1, 2009.

SECTION 10. The first report required by G.S. 113-175.4, as enacted by Section 1 of this act, shall be submitted by September 30, 2005.

SECTION 11. Of the funds appropriated to the Department of Environment and Natural Resources by S.L. 2003-284, the Department may use up to one million one hundred thousand dollars ($1,100,000) for the 2003-2004 fiscal year and up to two million dollars ($2,000,000) for the 2004-2005 fiscal year to implement the provisions of this act.

SECTION 12. Notwithstanding G.S. 113-175.3, as enacted by Section 1 of this act, during the 2003-2004 fiscal year and the 2004-2005 fiscal year, the Secretary of Environment and Natural Resources may disburse moneys from the Marine Resources Restoration Fund to pay for costs incurred in implementing the provisions of this act.

SECTION 13. Unless otherwise expressly provided, every agency to which this act applies shall adopt rules to implement the provisions of this act only in accordance with the provisions of Chapter 150B of the General Statutes. This act constitutes a recent act of the General Assembly within the meaning of G.S. 150B-21.1. Every agency to which this act applies that is authorized to adopt rules to implement the provisions of this act may adopt temporary rules to implement the provisions of this act. This section shall continue in effect until all rules necessary to implement the provisions of this act have become effective as either temporary rules or permanent rules.

SECTION 14. If any section or provision of this act is declared unconstitutional or invalid by the courts, the unconstitutional or invalid section or

provision does not affect the validity of this act as a whole or any part of this act other than the part declared to be unconstitutional or invalid.

SECTION 15. Sections 8, 11, 12, 13, 14, and 15 of this act are effective when this act becomes law. All other sections of this act become effective March 1, 2005.

FISCAL ANALYSIS MEMORANDUM

[This confidential fiscal memorandum is a fiscal analysis of a draft bill, amendment, committee substitute, or conference committee report that has not been formally introduced or adopted on the chamber floor or in committee. This is not an official fiscal note.]

DATE: July 15, 2003

TO: Representative Gibson

FROM: Stephanie Schmitt
Fiscal Research Division

RE: HB 831 PCS 46 v.2 - Coastal Recreational Fishing License

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
Marine Resources Restoration Fund License Revenue	$0	$3,383,133	$9,666,096	$9,666,096	$9,666,096
DMF Agency Receipts (RCGL fee change)	0	(3,725)	(11,174)	(11,174)	(11,174)
EXPENDITURES (Agency Funds & General Fund)					
Wildlife Res. Comm.	500,000	-	-	-	-
DMF System Development and Administration	595,067	1,091,288	1,277,647	1,288,917	1,300,749
DMF Enforcement	0	842,200	454,950	472,950	491,850
Total Cost	**1,095,067**	**1,933,488**	**1,732,597**	**1,761,867**	**1,792,599**
TOTAL REQUIRED FUNDS **	**$1,095,067**	**$1,933,488**	**$454,950**	**$472,950**	**$491,850**
POSITIONS: (cumulative)	2.0	13.2	16.0	16.0	16.0

(continued on next page)

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission

EFFECTIVE DATE: March 1, 2005. Section 8, 11, 12, 13 and 14 are effective when the act becomes law.

FY03-04 and FY 04-05 include start-up funds to plan, implement, and begin enforcement of the program before revenues are realized. Then revenues generated from the licensing program will be able to recover approximately $500,000 in administrative costs in the second year. DENR is authorized to use funds appropriated in the 2003-04 biennial budget to implement the program. See page 10 of this note for details.

BILL SUMMARY: The bill establishes general provisions governing a Coastal Recreational Fishing License (CRFL) and sets out a fee structure for the sale of these licenses. License fee exemptions are granted for certain classes of individuals. Information collected about applicants is confidential and is not subject to the public records law. It creates a Marine Resources Restoration Fund in the Department of the Environment and Natural Resources (DENR) to hold the proceeds from the sale of CRFL's, and provides for the allocation of the proceeds. The bill also recodifies the Recreational Commercial Gear License (RCGL) without substantive changes.

ASSUMPTIONS AND METHODOLOGY:

Revenues: The amount of revenue raised by the CRFL depends on two factors: the number of licenses sold and the type of license sold. At this time, there is no precise count of the number of recreational anglers in North Carolina. The best estimate available is based on an annual Marine Recreational Fishery Statistics Survey compiled by the Division of Marine Fisheries. The surveys include direct interviews with approximately 20,000 anglers at various public access points along the North Carolina coast, as well as telephone interviews with 20,000 additional, randomly selected persons.

Information obtained through the surveys is used to estimate the total number of marine or coastal anglers in North Carolina, the total number of coastal fishing trips annually and the mode of fishing (i.e. from a man-made structure, beach or bank, charter/head boat or private boats). The following two tables summarize the results of the annual survey over the last six years:

Table 1: Estimated Number of Marine Recreational Anglers in NC, 1997-2002

	Coastal Residents	Non-Coastal	Out-of State	Total Anglers
1997	329,909	166,104	859,110	1,355,123
1998	312,246	143,355	635,197	1,090,798
1999	324,091	164,398	804,561	1,293,051
2000	392,131	215,815	1,203,779	1,811,725
2001	448,272	248,311	1,281,925	1,978,508
2002	409,601	224,744	1,120,938	1,755,283
6 Year Average	377,268	199,325	1,009,280	1,547,415
Percentage of Total	24%	12%	64%	

Table 2: Estimated Marine Recreational Fishing Trips in NC, 1997-2002

	Beach/Bank	Charter Boats	Man-Made	Private Boats	Total
1997	1,772,884	295,820	1,252,716	1,570,089	4,891,509
1998	1,446,621	241,001	1,135,830	1,638,009	4,461,461
1999	1,459,571	221,369	1,013,535	1,860,564	4,555,039
2000	2,136,284	183,219	1,665,748	2,105,734	6,090,985
2001	2,409,723	197,710	1,809,738	2,142,621	6,559,792
2002	1,973,242	181,073	1,396,937	2,011,633	5,562,885
6 Year Average	1,885,088	204,874	1,404,358	1,951,712	5,353,612
Percentage of Total	34%	4%	26%	36%	

Based on the six-year average number of estimated marine anglers (Table 1), there are 1,547,415 potential licensees. However, the bill provides for a number of general exemptions and individual licenses at no charge, reducing the number of potential anglers subject to the Coastal Recreational Fishing License fees. Table 3 outlines the adjustments necessary to estimate the number of anglers who may be required to purchase a license.

Table 3: Calculation of Adjusted Total Number of Anglers

Total Number of Anglers, 6 year average:		**1,547,415**
General Exemptions, No Charge Licenses, Attrition		
1. Standard/Retired Standard Commercial Fishing License (SCFL/RSCFL count for FY2002. FY2003 sales are expected to be similar.)	7,307	
2. Wildlife Resources Commission – (Lifetime Resident Comprehensive Fishing License and Lifetime Sportsman Combination License holders minus infant license holders; assume 90% are coastal anglers)	102,015	
Less SCFL/RSCFL, WRC Lifetime		109,322
Subtotal		**1,438,093**
3. Permanently Handicapped/Disabled, Disabled Veteran, Legally Blind, Attrition (Based on WRC disabled and blind licenses; assume 3% of anglers subtotal to capture persons eligible for no charge licenses and possible attrition)	43,143	
4. Persons < 16 Years of Age (2002 North Carolina Marine Recreational Fishery Statistics Survey indicates 7.07% of NC coastal anglers are under the age of 16; assume 7% of anglers subtotal will fall under this exemption)	100,666	
5. Persons Fishing from Public Bridges (Marine Fisheries estimates only 3 or 4 major bridges from which anglers recreationally fish. Currently a permit or license is not required to fish from public bridges; no impact is expected.)	0	
Less Other General Exemptions, No Charge Licenses, Attrition		143,809
Adjusted Total Number of Anglers		**1,294,284**

According to the Division of Marine Fisheries, applying the percentages associated with each type of fishing trip (Table 2) to the adjusted total number of anglers (Table 3) provides a rough estimate of the number of anglers engaging in that particular mode of fishing. Table 4 provides a breakdown of total anglers by type of fishing trip.

Table 4: Estimated Marine Recreational Anglers by Type of Fishing Trip

	Beach/Bank	Charter Boats	Man-Made	Private Boats	Total
Adjusted for no charge licenses, general exemptions and attrition	448,003	48,690	333,754	463,836	**1,294,284**

The estimated revenue from the sale of the Coastal Recreational Fishing Licenses as outlined in the bill follows:

Table 6: Estimated Revenue Generated by Coastal Recreational Fishing License

License Type	License Fee	Estimated Sales	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Annual/Standard CRFL (40%)	$10.00**	512,536	$0	$1,793,877	$5,125,362	$5,125,362	$5,125,362
10 Day CRFL (60%)	5.00	768,805	0	1,345,407	3,844,021	3,844,021	3,844,021
		1,281,341					
Lifetime CRFL							
< 18 years of age	150.00	4,271	0	177,010	640,670	640,670	640,670
18 to 62 years of age	200.00	3,365	0	185,950	673,027	673,027	673,027
≥ 62 years of age	exempt	5,307	0	0	0	0	0
		12,943					
Gross Revenue from CRFL Receipts			**$0**	**$3,599,078**	**$10,283,080**	**$10,283,080**	**$10,283,080**
Less License Agent Fee (6%)			($0)	($215,945)	($616,985)	($616,985)	($616,985)
Net Revenue from CRFL Receipts – Credited to the Marine Resources Restoration Fund			**$0**	**$3,383,133**	**$9,666,096**	**$9,666,096**	**$9,666,096**

** Note: The legislation allows for North Carolina to charge out-of-state residents a fee equal to the amount a North Carolina resident would have to pay for a Standard coastal recreational fishing license in that state. Some states charge more, while other states charge less, than the $10 fee identified in the legislation. It cannot be determined how much additional revenue will be generated by charging some applicants higher fees than identified in the legislation, nor how other state fees will change over time. **Fees generated from out-of-state residents purchasing Annual/Standard CRFLs would result in revenues higher than shown in Table 6 above.**

The revenue estimate is based on the following assumptions:

1. License sales are assumed to begin January 1, 2005, two months prior to the CRFL effective date of March 1, 2005. Consequently, license revenue for the last six months of the 2004-05 fiscal year is estimated to be 35% of the annual amount to align with current Marine Fisheries license sales in January - June. Even though the total number of anglers varies from year, the average has remained stable at approximately 1.4 million anglers since 1993. Consequently, no growth is assumed in projecting future revenues.

2. Lifetime licenses are assumed to be 1% of total sales. The sale of lifetime licenses sold to people under age 70 accounted for 1.23% of total Wildlife Resources Commission (WRC) license sales in recent years. The sale of lifetime CRFLs is anticipated to account for a lower percentage of total sales than Wildlife's experience, because HB 831 exempts persons holding a WRC lifetime license from the CRFL requirement, but does not exempt persons who hold a lifetime CRFL from the WRC freshwater license requirement. Consequently, lifetime anglers who fish in both fresh and salt water are likely to purchase the WRC license. However, the lifetime CRFL is cheaper than the WRC lifetime license so it is assumed that a small percentage of coastal anglers will purchase the cheaper license.

3. The distribution of lifetime CRFL sales among the various age groups is based on the sale of WRC lifetime licenses to similar age groups.

Age Distributions	Percent of total lifetime sales
< 18 years of age	33%
18 to 62 years of age	26%
≥ 62 years of age	41%

4. The distribution of license sales is based on the following assumptions: 1) 90% of the ten-day licenses will be sold to out-of-state anglers and 10 % sold to NC residents, and 2) 90% of the standard or annual licenses will be sold to NC residents and 10 % sold to out-of-state anglers (from whom the additional revenues discussed in the note above may be realized.)

Other Revenue Issues

House Bill 831 also changes the amount of the fee to be retained by authorized license agents from the sale of Recreational Commercial Gear License (RCGL). Currently, agents are authorized to charge $1.00 in addition to the NC resident license fee of $35.00. The Division of Marine Fisheries retains the entire $35.00 license fee. The bill changes this practice to reimburse the agent six percent (6%) of the $35.00 license fee or $2.10 per license sold, thereby reducing the amount of revenue going to the Division. In 2002, agents sold a total of 5,321 RCGLs. Assuming that roughly the same number of licenses will be sold in subsequent years, **the Division will lose $11,174 in RCGL revenues annually.** Losses for the last four months of FY 2004-05 are adjusted appropriately.

Expenditures:

Wildlife Resources Commission

The Division of Marine Fisheries would like to take advantage of the automated licensing system operated by the Wildlife Resources Commission and the large network of WRC license agents to sell CRFLs. The WRC currently has an online license sales option available to customers only; however, a new WRC Internet sales system is scheduled to be released next year, and this medium will process *all* customer and agent license sales at that time.

The new Internet-based system can handle the required changes for the CRFLs with more flexibility than the current system. To accommodate the additional license types, the Wildlife system will require some modification and upgrades. The WRC estimates the cost for software modification, system upgrades to accommodate additional license agents and increased volume, training costs, and point of sale computer equipment provided to any new agent selling the CRFLs to be approximately $500,000. Funds are needed in the 2003-04 fiscal year to ensure that the system is complete and operational prior to March 1, 2005, when the CRFL goes into effect.

Division of Marine Fisheries

Administration: Integration of the Marine Fisheries licensing system with the Wildlife licensing system will also require upfront General Fund expenditures for system development. The Division estimates that $1 Million will be required in the 2003-04 and 2004-05 fiscal years for additional hardware, software development and related information technology expenses. Funds are needed starting in the 2003-04 fiscal year to ensure that the system is complete and operational prior to March 1, 2005, when the CRFL goes into effect.

The Division also anticipates requiring additional staff and operating support to administer the CRFL program. An administrative officer will oversee management of the license program and will serve as the primary contact with the WRC. A computer programmer will be responsible for system maintenance, quality control and data transfer. An accounting clerk will be responsible for tracking license sales, deposits and auditing sales records. Three processing assistants will issue licenses in-person and by phone, handle questions concerning license requirements and regulations, and data entry in the Morehead and Columbia offices. Operating support is reduced proportional to effective starting dates.

In addition, the Division will pay a per transaction fee to the Wildlife Resources Commission to cover the Commission's costs for online support, training, technical support, hardware maintenance, and communication charges associated with the transfer of data to and from agents. The actual transaction fee will be negotiated between DMF and WRC based on expected volume of license sales, technical specifications, and types of licenses sold online (see Technical Considerations #2.)

The WRC has estimated the transaction fee per CRFL sold would be $2.00 for licenses sold by licensed agents. Fiscal Research projects this fee can be reduced for transactions occurring through the online sales option due to the equipment and technology used for bulk online transactions. In order to estimate a possible online fee amount, data were gathered on industry online transaction costs and comparable WRC transaction costs occurring online today. For direct customer sales via the Internet, the WRC pays an online transaction fee of 2% of the total

cost of the transaction (i.e. $0.20 for a $10 license) for credit card processing. There is also a $0.41 ITS processing fee associated with each transaction that goes through the Common Payment Service. Fulfillment costs will also be calculated into the transaction fee, but because the new license processing will change, no exact estimate is available yet. This note assumes fulfillment costs of $0.20 per license sold for license stock and processing time. The table below shows the online transaction costs associated with the CRFL.

Table 7: Online Transaction Fees Associated with CRFL Sales

	Annual	10-Day	Lifetime (<18 yrs)	Lifetime (18-62 yrs)	Lifetime (≥62 yrs)
Total Proposed CRFLs	512,536	768,804	4,271	3,365	5,307
Proposed Fee Amount	$10	$5	$150	$200	$0
2% Credit Card Fee	$0.20	$0.10	$3.00	$4.00	$0
Subtotal:	$102,507	$76,880	$12,813	$13,461	$0
$0.41 ITS Fee	$210,140	$315,210	$1,751	$1,380	$0
$0.20 Fulfillment Cost	$102,507	$153,761	$854	$673	$0
Totals	**$415,154**	**$545,851**	**$15,419**	**$15,513**	**$0**
Total Transaction Fees	**$991,937**				
Total CRFLs	**1,288,977**	(total less ≥62 yrs old exemption)			
Average Fee / CRFL	**$0.77**				

The number of agent in-person sales vs. online sales will depend on the timing of the system modifications and how quickly CRFLs can be sold only via the Internet. This fiscal note assumes all software and technical changes will be in place prior to January 1, 2005, when CRFL sales will begin. The WRC is experiencing some movement toward its current Internet sales option with 10% of license sales occurring online. Once the new Internet system is in place, 100% of license sales will occur online, whether via an agent or direct customer sales. The table above projects transaction fees at 100% online sales.

The administration estimate is based on the following assumptions:

1. All CRFL license types (annual, 10-day, and lifetime) will be sold via the online Internet sales option.

2. Transaction costs for the last six months of FY 2004-05 are estimated to be 35% of the annual amount to align with typical license sales from January to June.

3. All licenses sold are estimated to be online sales at a $0.77 per license transaction rate.

4. For the purposes of this analysis, the administrative officer and computer programmer positions are assumed to be effective August 1, 2003, to allow for program and system preparation. The remaining four positions are assumed to be effective September 1, 2004, or six months prior to the effective date of the licenses to allow for recruitment and training.

The total estimated budget for Marine Fisheries to administer the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 8: Division of Marine Fisheries, Budget Requirements for Administration

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Administrative Personnel					
Administrative Officer II	36,892	42,217	44,328	46,544	48,870
Applications Analyst Programmer II	58,175	66,573	69,901	73,396	77,065
Accounting Clerk IV	0	22,080	27,795	29,185	30,644
Processing Assistant IV (3 FTEs)	0	66,240	83,386	87,555	91,933
Total Salaries and Benefits	95,067	197,110	225,410	236,680	248,512
Positions	*2*	*5.2*	*6.0*	*6.0*	*6.0*
Operating Expenses for Admin.	0	47,000	21,000	21,000	21,000
Computer Expenses	500,000	500,000	39,300	39,300	39,300
Transaction Fee Paid to WRC	0	347,178	991,937	991,937	991,937
Total Requirements	**$595,067**	**$1,091,288**	**$1,277,647**	**$1,288,917**	**$1,300,749**

Enforcement: HB 831 makes it unlawful for any person to engage in recreational fishing without first holding a Coastal Recreational Fishing License. The Division of Marine Fisheries' Marine Patrol Section has the duty of enforcing all laws relating to conservation of marine and estuarine resources (G.S. 113-8). According to DMF, a total of 6,336 hours was spent checking recreational fishermen for catch and size limits in the year 2000. Based on the current workforce of 43 marine patrol officers, 6,336 hours equates to less than ten percent of their patrol time. With the implementation of the recreational saltwater fishing license, the Division anticipates placing more emphasis on recreational fishing.

To adequately enforce the estimated CRFL's projected to be sold, the Division estimates that it will need 10 additional marine patrol officers. These additional officers in combination with existing staff will allow the Division to check between 16 and 32 percent of the license holders on an annual basis. This assumes a work year of 230 days and an average of five to ten checks per hour per officer or 40 to 80 license checks per day per officer. [230 days x 40 to 80 license checks per day = 9,200 to 18,400 license checks per new officer x 10 FTEs = 92,000 to 184,000 license checks annually plus existing staff time of 6,336 hours or approximately 792 days x 40 to 80 license checks per day = 31,680 to 63,360 license checks annually with existing staff time for a total of 123,680 to 247,360 licenses checked annually.]

Each marine patrol officer currently employed by the Division is assigned a motor vehicle and marine patrol boat for duty. Based on this practice, each of the 10 new positions will require a motor vehicle, leased from motor pool at approximately $4,800 per year, and a marine patrol boat at approximately $45,000 per boat. Marine patrol boats are currently replaced every 5 to 6 years.

For the purposes of this analysis, the marine patrol officers are assumed to be effective September 1, 2004, or six months prior to the effective date of the licenses to allow for recruitment and training. Operating support for the 2004-05 fiscal year is reduced proportionally.

The total estimated budget for Marine Fisheries to enforce the Coastal Recreational Fishing License requirements is outlined in the following table:

Table 9: Division of Marine Fisheries, Budget Requirements for Enforcement

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Enforcement Personnel					
Marine Enforcement Officer I (10 FTEs)	0	285,950	359,950	377,950	396,850
Operating Expenses for Enforcement	0	556,250	95,000	95,000	95,000
Total Requirements	**$0**	**$842,200**	**$454,950**	**$472,950**	**$491,850**
Positions	*0*	*8.0*	*10.0*	*10.0*	*10.0*

Board of Trustees – Marine Resources Restoration Fund
The bill provides for a Board of Trustees to oversee the disbursement of moneys from the Fund. Membership, terms, and meeting frequency are specified in the bill. The bill allows the use of Fund revenues to pay per diem, travel and subsistence expenses for Trustees. No exact estimate of expenses is available; however, there will not be a General Fund impact.

Funding

HB 831 authorizes up to 15% of the funds credited to the Marine Resources Restoration Fund to be used for administrative costs. Based on the revenue projections outlined on page 4 (Table 6), the allowance will not cover the required administrative expenditures in the 2003-04 and 2004-05 fiscal years. The first two years have start-up costs associated with establishing the CRFL program. The Secretary of DENR is authorized to disburse money from the Fund to pay for the costs of implementing the program. The bill authorizes DENR to use up to $1.1 Million for the 2003-04 fiscal year and up to $2 Million for the 2004-05 fiscal year to implement the program. These funds are to come from the funds appropriated to DENR by S.L. 2003-284. *Once the licensing effort is established revenues would be realized and available to be transferred to the program's administrative requirements.*

Assuming the maximum 15% is authorized for administration in the second fiscal year and adequate funds to cover administrative costs in future years, the costs will be as follows:

Table 10: Funds Required for License Implementation

		FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
1	Total Administrative Requirements	$595,067	$1,091,288	$1,277,647	$1,288,917	$1,300,749
2	15% Admin Allowance, Fund Transfer	(0)	(507,470)	(1, 277,647)	(1, 288,917)	(1, 300,749)
3	**Funds Needed for Admin**	**595,067**	**583,818**	**0**	**0**	**0**
4	Total Enforcement Requirements	0	842,200	454,950	472,950	491,850
5	Wildlife Resources Commission Start-up	500,000	-	-	-	-
5	**Total Funds Required**	**$1,095,067**	**$1,426,018***	**$454,950**	**$472,950**	**$491,850**

*The initial second-year amount will be **$1,933,488** because costs will be incurred before revenues will be realized. (FY 04-05 line 2 will be required up-front to implement the program but may be repaid after revenues are generated.)

SOURCES OF DATA: Department of Environment and Natural Resources, Division of Marine Fisheries; Wildlife Resources Commission

TECHNICAL CONSIDERATIONS:

1) The provisions of the Coastal Recreational Fishing License become effective March 1, 2005. In order to give the public time to purchase a license prior to the license requirement becoming effective, this analysis assumed that license sales would begin January 1, 2005, two months prior to the March 1 effective date. However, the bill is silent as to the date that license sales can begin.

2) The Division of Marine Fisheries and Wildlife Resources Commission expenditures associated with the implementation of the Coastal Recreational Fishing License may change once planning and technical specifications are further detailed. The Information Resource Management Commission (IRMC) must approve the business case and technical interfaces between the systems prior to funds being expended. The business case analysis will assist with cost estimates. Specifically, the programming and computer equipment costs may change once project specifications are mapped more thoroughly. As the project progresses from planning into implementation phases, the estimated transaction costs $0.77 per license sold online may be changed due to the further development of the online licensing process.

3) The legislation specifies how the Marine Resources Restoration Fund balance is to be allocated towards varying functions. The legislation is unclear as to how any excess funds are to be administered or held, although it could be assumed the Board of Trustees expenses are paid from the excess funds.

HOUSE BILL 831:
Coastal Recreational Fishing License/Fund.

BILL ANALYSIS

Committee:	House Appropriations	**Introduced by:**	Representatives Gibson and McComas
Date:	July 16, 2003		
Version:	Third Edition	**Summary by:**	Jeff Hudson, Staff Attorney

Section 1 establishes a program for the licensing of coastal recreational fishing.

G.S. 113-174. – Definitions.

- Commission means the Marine Fisheries Commission.
- CRFL means Coastal Recreational Fishing License.
- Division means the Division of Marine Fisheries.
- RCGL means Recreational Commercial Gear License.
- Recreational fishing means any activity involved in taking fish regulated by the Commission that is not part of a commercial fishing operation or for scientific purposes.

G.S. 113-174.1 – General Provisions Governing Recreational Fishing Licenses.

- It is unlawful to engage in recreational fishing without complying with the new licensing requirements.
- A CRFL or RCGL does not authorize the license holder to sell fish taken under the license.
- Assignment or transfer of a CRFL or RCGL is prohibited.
- A CRFL or RCGL will show the name, mailing address, residence address, and date of birth of the licensee as well as the date the license was issued, the date it will expire, and any other information the Division or Commission determines to be necessary.
- An individual engaging in recreational fishing must have a CRFL or RCGL issued in the individual's name available for inspection.
- A licensee may apply for a replacement license for a license that has been lost, stolen, or destroyed and must apply for a replacement license within 30 days of a change of name or address.
- An individual may not hold a recreational fishing license as a North Carolina resident and hold a commercial or recreational fishing license as a resident of another state.
- An individual isn't eligible to obtain a CRFL or a RCGL if any of the individual's coastal recreational licenses have been suspended or revoked or the individual has been responsible for four or more violations of marine fisheries laws in the three years prior to the date of application.
- The Division may cancel a CRFL or RCGL issued on the basis of false information.
- A CRFL or RCGL holder must comply with sampling and survey programs.
- Information collected pursuant to the coastal recreational fishing license program, including the names and addresses of licensed individuals, is confidential and not a public record.

G.S. 113-174.2. – Coastal Recreational Fishing License

Any CRFL may be purchased from a Division office or from the Division by mail. The Standard and Ten-Day CRFL may be purchased from authorized license agents.

Types of CRFL's:

Standard CRFL	$10.00	One year duration
Ten-Day CRFL	$5.00	Ten day duration
Lifetime CRFL		Lifetime duration
Younger than 18 years of age	$150.00	
18 years of age to younger than 62 years of age	$200.00	
Disabled Individual CRFL	No charge	Duration of disability
Disabled Veteran CRFL	No charge	Duration of disability
Legally Blind Lifetime CRFL	No charge	Lifetime duration

Exemptions: An individual may engage in recreational fishing by means of recreational gear without holding a CRFL if the individual:

- Is under 16 years of age.
- Is 62 years of age or older.
- Holds a Standard Commercial Fishing License or a Retired Standard Commercial Fishing License.
- Holds a Lifetime Resident Comprehensive Fishing License or a Lifetime Sportsman License.
- Is fishing from a public bridge.

Reciprocity: The Commission may increase the fee for a Standard CRFL for residents of another state to the level charged to North Carolina residents for a recreational license in that state.

G.S. 113-174.3. – Recreational Commercial Gear License (RCGL)

Recodified from existing G.S. 113-173 without substantive changes.

G.S. 113-174.4. – License Agents

Recodified from existing G.S. 113-172 with the following substantive changes:

- License agents shall be compensated at a rate of 6% of the value of each license sold rather than $1.00 per license sold.
- The Secretary of Environment and Natural Resources is authorized rather than required to bond license agents.

Article 14C. Marine Resources Restoration Fund

Article 14C establishes the Marine Resources Restoration Fund in the Department of Environment and Natural Resources to hold proceeds from the sale of CRFL's. The Fund will be administered by a seven member Board of Trustees. The Governor will appoint three members of the Board of Trustees, while the Speaker and the President Pro Tempore will each appoint two members. The Board of Trustees will allocate moneys from the Fund as follows:

- Resource and habitat enhancement: Not less than 35%.
- Marine fisheries research: Not less than 35%.
- Administration: Not more than 10%.
- Public education and information: Not less than 5%, but no more than 10%.
- Grants for coastal fishing programs and scholarships: Not more than 5%.

The Chair of the Board of Trustees will report to the Joint Legislative Commission on Seafood and Aquaculture and the Joint Legislative Commission on Governmental Operations by September 30 of each year on the source and amounts of monies credited to the Fund and the purpose and amount of all expenditures from the Fund during the prior fiscal year.

Sections 2 through 5 and Sections 6 and 7 make technical, clarifying, and conforming changes.

Section 8 directs the Commission to adopt rules to define recreational gear and commercial gear for purposes of implementing the new program for licensing coastal recreational fishing.

Section 9 provides the staggering of terms of the members of the Board of Trustees.

Section 10 provides that the first report on the Marine Resources Restoration fund is due by September 30, 2004.

Section 11 authorizes every agency to which this act applies to adopt temporary rules until all rules necessary to implement the provisions of the act become effective.

Section 12 is a severability clause.

Section 13 provides that the licensing provisions become effective March 1, 2004.

COASTAL RECREATIONAL FISHING LICENSE AND FUND
An Important Management Tool to Promote Sustainable Fisheries

House Bill 831, Coastal Recreational Fishing License/Fund, will lead to healthier and more sustainable populations of marine fish in North Carolina. First, establishing a license for recreational saltwater anglers will provide resource managers with the data they need to manage fish stocks responsibly. Second, the creation of marine resources restoration fund—to be funded from revenues generated from modest license fees--will provide dedicated funding for programs that protect fish habitat, restore fish populations, and improve fisheries management.

HB 831 is a good idea for all of the following reasons:

- The Fisheries Reform Act of 1997 is a landmark law that provides a strong mandate for ecosystem-based marine fish management by including measures to prevent overfishing, restore fish populations to sustainable levels, and protect fish habitat. Sustaining healthy marine fish populations will ensure the survival of robust commercial and recreational fisheries, both of which contribute greatly to North Carolina's economy.
- A cornerstone of this law is the development of fishery management plans—a mandate that has not been fulfilled because of a lack of adequate funding and poor data on recreational harvests. As a result, many commercially and recreationally important fish stocks are still in trouble.
- In 2001 the Division of Marine Fisheries (DMF) status report found only 25% of the state's fish stocks were "viable." Conversely, this status report labeled 55% of the state's fish stocks as either cause for "concern" or "overfished."
- Good management plans require good data on fishing effort by both commercial and recreational anglers. Excellent data exist on commercial landings because of North Carolina's nationally renowned trip ticket program.
- But good data on recreational catch levels are not available. It is estimated that over 1,600,000 recreational enthusiasts fish North Carolina's oceans and sounds each year. Poor data make it difficult for managers to implement measures needed to ensure that fish stocks recover.
- Creating a saltwater fishing license would provide the DMF with much needed funds to collect data on recreational fishing, to monitor fish stocks, to restore fish habitat, and take steps to ensure overfished stocks are rebuilt.
- The legislation benefits taxpayers as it funds new fishery research, habitat protection, management, and education, not by imposing additional taxes, but by generating funding from those who use and enjoy the resource. In these times of economic shortfalls and budget cuts, finding alternative sources of funding is plain common sense.
- Eighty percent of recreational fishermen, the group most directly affected by this bill, strongly support this license as a way of preserving the wildlife they enjoy.

Prepared by Environmental Defense, 919-881-2601

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 831 DATE 7-16-03

S. B. No. _____ Amendment No. 1 (to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE ✓ H831-CSSB-46[v.2]

(Rep.) Sen.) Sexton

1 moves to amend the bill on page 5, between , lines 38 and 39

2 ( ) WHICH CHANGES THE TITLE

3 by inserting between those lines:

4

5 "(6) Is fishing from the shore."

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SIGNED Wayne Sexton

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 831 DATE 7-17-03

S. B. No. _____ Amendment No. 2

COMMITTEE SUBSTITUTE ✓ H831-CSS15-46 [v.2] (to be filled in by Principal Clerk)

Rep.) Michaux

Sen.)

moves to amend the bill on page 5, line 5 14 and 15

( ) WHICH CHANGES THE TITLE

by deleting "the United States Social security Administration." and substituting "a licensed medical doctor."

SIGNED _____

ADOPTED ✓ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 831*

AMENDMENT NO. 3
(to be filled in by
Principal Clerk)

H831-ASB-22 [v.1]

Date 7-17 ,2003

Comm. Sub. [YES]
Amends Title [YES]
H831-CSSB-46 [v.2]

Representative Stam

moves to amend the bill on page 1,
by rewriting the Short Title to read:

"Coastal Recreational Fishing License.";

on page 1, lines 2 through 4,
by rewriting those lines to read:

"AN ACT TO ESTABLISH A COASTAL RECREATIONAL FISHING LICENSE.";

on page 2, lines 11 through 30,
by rewriting those lines to read:

" Whereas, a system for licensing coastal recreational fishers would enable the Division of Marine Fisheries to better disseminate information to and gather information from recreational fishers, the largest marine resources user group in our State; and

Whereas, North Carolina is the only coastal state between Delaware and Texas that is not benefiting from a system for licensing coastal recreational fishing; Now, therefore,";

on page 6, between lines 3 and 4,
by inserting:

"(f) Fees collected under this section shall be credited to the General Fund.";

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 831*

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H831-ASB-22 [v.1]

on page 7, line 40, through page 10, line 4,
by rewriting those lines to read:

"'**§ 113-174.5. Report.**".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED ✓ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 831 DATE 7-17-03

S. B. No. _____ Amendment No. 4 (to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE ✓ H831-CSSB-46[v.2]

(Rep.) Wright
Sen.)

1 moves to amend the bill on page 5, line s 38 and 39

2 ( ) WHICH CHANGES THE TITLE

3 by inserting between those lines:

4

5 "(6) Is a resident of one of

6 the following coastal counties:

7 Beaufort, Bertie, Brunswick, Camden,

8 Carteret, Chowan, Craven, Currituck,

9 Dare, Gates, Hertford, Hyde,

10 New Hanover, Onslow, Pamlico

11 Pasquotank, Pender, Perquimans,

12 Tyrrell, or Washington."

13

14

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SIGNED _____

ADOPTED Withdrawn FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 831 DATE 7/17/03

S. B. No. _____ Amendment No. 5
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE H831-CSSB-46 [v2]

Rep.) La Rogue
Sen.)

moves to amend the bill on page 5, line s 38-39

( ) WHICH CHANGES THE TITLE

by inserting between those lines the following:

"(6) Is fishing with hook and line in the county of the individual's residence using natural bait."

SIGNED Stephen LaRogue

ADOPTED _____ FAILED ✓ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

Appropriations
Date: July 17, 2003

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Chris Brook	Environmental Defense
Jenny Matthews	Womble Carlyle / CCA
Sabina Jang	David Knight
Chris Elkins PhD	CCA/NC
Bo Nowell	CCA-NC + Raleigh Salt Water Sportfishing Club
Kirsten Collings	CCNC
Jessica Lewis	Research
Executive Director	Exec. Intern - FRD/ Up Groups
Richard Hamilton	WILDLIFE
	CCA & H&W
DAN WHITTLE	ENV. DEFENSE
	Capitol Broadcasting
	TNC
Sheryl Hopkins	DENR
Pricy Harrison	CRC

Appropriations
Date: July 17, 2003

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Adam Pridemore	NCASA
Patrick Reeder	NCACC
JERRY SCHILL	NC Fisheries Assoc.
ANN LORE	DVHS
HUGH TILSON	NCHA
Terry Abbott	NCPC
[illegible]	NCMS
Roz Scott	NCCCA
Josh Grant	Parker Poe
BRUCE THOMPSON	PARKER POE
BILL HARE	JORDAN PRICE
WALT MARKOWSKY	ASI
Josh Benton	ASI
Dean Plunkett	NCBWWA
John Cyrus	NC State Grange

Appropriations
Date: July 17, 2003

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ellen Davis	ElectriCities
[illegible]	NCPMA
Gary F Hanes	NCPMA
Mary Ryan	NCSBA
Katherine Joyce	NCASA
DM Rodda	ENV. DEF
Henry Lancaster	LCA
John McHugh	GOV OFFICE
Lorecy Nonnes	NCACCP - Fay Tech CC
[illegible]	[illegible]
Clerk Cutler	Cashier Headcount
Sir Charles Williams	Sgt at Arms -
Amanda Reeder	Intern/Rep Goodwin
Julie Woodson	NCCBI
Carol Lauer	EGHS

Appropriations
Date: July 17, 2003

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Susan Valauri	National
Sue Ann Coe	NCPA, CTA
Joanne Stevens	Nursing, NCNA, NCANA
Bill Rustin	ACP
John McMillan	MFDS
Sponge Bob	UNC-TV
Tiffany Rapelyea	Disney
John Bourdeau	AstraZeneca
Ann Kemp	Public Sch. Forum
Jim Dyer	SBE
Evelyn Hammonds	OSBE
Roy Rogers	OKla

Appropriations
Date: July 17, 2003

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Steve Wall	CCNC
David Knight	NC Sierra Club, NC Wildlife Fed
TOM BEASON	NC ENVIRO DEFENSE
Cindy McMillan	N.C Conservation Network
Brian Buzby	NC CanVet
Elizabeth Curtis	NCPIRG
Robin Smith	DENR
HALEY GARGIS	[illegible]
Lawrence Davis	Womble Carlyle / CCA
Lew Ruggiet	CYPC

HOUSE APPROPRIATIONS COMMITTEE

2003 SESSION

Co-Chairs
Representative Rex Baker
Representative Debbie Clary
Representative Jim Crawford
Representative Beverly Earle
Representative Robert Grady
Representative Bill Owens
Representative Wilma Sherrill
Representative Thomas Wright

COMMITTEE ASSISTANTS

Linda A. Johnson
Rosa Kelley
Anne Misenheimer
Peggy Murray
Ann Raeford
Vanda Wilson-Wormack
Linda Winstead
Shirley Winstead

RULES FOR HOUSE APPROPRIATIONS

April 14, 2003

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Money can only be transferred among items within the same subcommittee.

2. Amendments cannot increase total spending within a subcommittee report beyond what the subcommittee recommended.

3. Amendments cannot increase total spending beyond the total amount shown in the draft committee report.

4. Amendments cannot spend reversions.

5. Nonrecurring reductions cannot be used to fund recurring items.

6. Amendments that cause the budget to be unbalanced are not in order.

7. Amendments that provide expansion funding in the second year of the biennium are not allowed.

8. Amendments proposing to include material not directly related to the budget are not in order.

9. Amendments must be in writing, with 150 copies available for distribution. The Sergeant-at-Arms will distribute copies only at the direction of the chairs.

10. No documents may be distributed to members except by prior arrangement with the chairs.

11. To be considered a proposed amendment (a) must have been requested from drafting staff by 7:00 PM and (b) must have been logged in at the podium by committee staff by 8:30 PM. The Chairs will review amendments to make sure they are eligible for consideration. Eligible amendments will be heard after all of the subcommittee presentations have been made.

Linda Winstead (Rep. Jim Crawford)

From: Rosa Kelley (Rep. Sherrill)
Sent: Wednesday, March 12, 2003 12:38 PM
Subject: Appropriations Committee Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **JOINT APPROPRIATIONS** will meet as follows:

DAY & DATE:	**Thursday, March 13, 2003**
TIME:	**8:30 a.m.**
LOCATION:	**643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

Reports will be heard from the following:
UNC System – Molly Broad

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-Chairs

I hereby certify this notice was filed by the committee assistant at the following offices at **2:00** on **March 12, 2003.**

___Principal Clerk
___Reading Clerk - House Chamber

Rosa Kelley (Committee Assistant)

3/12/2003

Minutes
Joint Appropriations Committee Meeting
Thursday, March 13, 2003
8:30 am
643 LOB

The Joint Appropriations Committee met on Thursday, March 13, 2003 in Room 643 of the Legislative Office Building at 8:30 a.m. Chair Representative Debbie Clary (Team 1) presided. There were fifty (50) House members and eleven (11) Senate members present. A visitor registration list is attached and made part of these minutes.

Chair Clary called the meeting to order and welcomed Senate Pages Jessica Fuller, Lee County and Rebecca Parrish, Wake County. House Pages were Jennifer Payne from Cumberland County and Adrienne Farmer of Person County.

Chair Clary introduced Molly Broad, President of the Universities of North Carolina System. President Broad gave a brief summary of the governor's budget proposal as it relates to the university system. Questions were directed to Ms. Broad by members of both the House and the Senate. John Davis, Finance for the University System provided figures for some of the questions.

After the question and answer period, Chair Clary thanked President Broad for her attendance, comments and answers.

There being no further business, the Chair adjourned the meeting at 9:30 a.m.

Respectfully,

Debbie Clary

Representative Debbie Clary
Presiding Chairperson

Shirley Winstead

Shirley Winstead, Committee Assistant

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — March 13, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Hostetler	OSBM
Doug O'2	OSBM
Anne Bander	OSBM
Mitch R. Alford	OSBM
Amy Burke Jones	UNC-OP
Jeff Davis	UNC
Joni Worthington	UNC
Ben McLawhorn	OSC
[illegible]	Legal Counsel
J Craig [illegible]	UHS
Richard Wilms	NCHBA

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — March 13, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Charlie Perusse	State Budget Office
Chris Nichols	Hunton & Williams
RSB Nelson	UNC
[illegible]	NC Bankers / Food Bank
Suzanne Lewis	NCCCS
[illegible]	Govs off
[illegible]	Public School Forum of NC
Dan Gelatch	Gov's Off
JB Miller	UNC
Mark Fleming	UNC
Ann Lake	DHHS

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — March 13, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	[signature]
Steve Hoffman	UCSBA
[signature]	Bone + Assoc
Joh Kelly	Gov OFFICE
Carlton Myrick	DOA
Carl Gardin	OSP
Patrice Ramer	NCACC
Lad Rubert	CYPC
[signature]	Gov. office
David McCoy	OSBM
[signature]	Progress Energy

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — March 13, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Don McCorquodale	SAS
[illegible]	Wake Forest Medical School
[illegible]	NC 2-1-1
[illegible]	Mullen C-
Hal Miller	NCAECT
Roz Sawyer	NCCCS
James O. Smith	UNC
Amy Dobson	NC Statewatch
Julie Allen	NC Statewatch
Ronnie Condrey	NC DOT
Marcus Davis	NCAE

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — March 13, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Gene Causey	NCSFSA
Susan Harrison	NCPSS
Joanne Stevens	nursing
Amy Fulbright	Hunton & Williams
Lu-Ann Lee	NCPA
Foster	Smith Anderson
Elizabeth Jordan	Bridges & Tax Carter
Laura Harper	SEANC
	VMC
	Allen Assoc
	NHA

VISITOR REGISTRATION SHEET

JOINT APPROPRIATIONS — March 13, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ardis Watkins	SEANC
Henry Lancaster	LCA

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Monday, April 14, 2003**

TIME: **1:00 p.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 853 GOVERNOR'S BUDGET BILL

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **4:00 pm** on **April 9, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

MINUTES
HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 14, 2003

The House Committee on Appropriations met on Monday, April 14, in Room 643 of the Legislative Office Building at 1:00 p.m. Chairs Jim Crawford and Beverly Earle presided. Eighty-two (82) members of the committee were present as well as staff to the committee, Lynn Muchmore and Karen Hammonds-Blanks. A visitor registration list is attached and made part of these minutes. Chair Crawford explained the rules for conducting the committee meeting (handout).

HB 397 Proposed Committee Substitute (2 Handouts)

Chair Beverly Earle introduced the individual subcommittee chairs to present their portion of the budget:

Education	Reps. L. Johnson, Tolson, Yongue
Health & Human Services	Reps. Barnhart, Nye
Natural & Economic Resources	Reps. Fox, West
Justice & Public Safety	Reps. Haire, Kiser
General Government	Reps. Jeffus, Walend
Transportation	Reps. Cole, Gillespie
Employee Benefits	Staff - Mark Trogdon, Stanley Moore, Sam Byrd
Debt Service/Reserves/Capital	Rep. Crawford

Chair Crawford began accepting amendments, and the following action was taken:

#	Draft #	Sponsor	Action	Votes
1	ALU-10	Farmer-Butterfield	Withdrawn	
2	ALU-13	Farmer-Butterfield	Withdrawn	
3	ALH-1	Michaux	Failed	V
4	ALE-6	Johnson, L.	Favorable	V
5	ALE-4	Preston	Favorable	V
6	ALU-12	Church/Stam	Withdrawn	
7	ALB-17	Michaux, Stam, Nesbitt	Failed – Rep. Sherrill moved to displace, failed	D 32 – 23
8	ALB-21	LaRoque	Failed	V
9	ALB-20	LaRoque	Failed	D
10	ALH-2	Moore	Failed	R 38-37
11	ALE-7	Michaux	Favorable as perfected by Owens amendment	
12	ALE-10	Williams K, Sauls, Justice, Gorman, Moore	Failed	R 43-32
13	ALU-18	Farmer-Butterfield	Favorable	V

14	ALU-13	Farmer-Butterfield	Withdrawn	
15	ALD-6	Gillespie	Favorable	V
16	ALE-14	Johnson, L	Favorable as perfected by Owens amendment	V
17	ALT-1	Kiser	Favorable	V
18	ALY-2	Williams, K.	Failed	V
19	ALD-7	Allen, L.	Failed	V
20	ALU-14	Nye, Barnhart	Favorable	V
21	ALD-8	West	Favorable	V
22	ALE-12	Gorman	Failed	V
23	ALE-11	Gorman	Failed	V
24	ALD-4	Haire	Withdrawn	
25	ALL-2	Sherrill	Favorable	V
26	ALR-1	Miller	Favorable	V
27	ALE-18	Bonner	Favorable	V
28	ALU-23	Church/Stam	Failed	V
29	ALL-3	Miller	Failed/Hackney moved to delay vote failed	V
30	ALN-8	Insko	Failed	V
31	ALU-20	Insko	Failed	V
32	ALU-17	Insko	Failed	V
33	ALU-15	Insko	Withdrawn	
34	ALU-24	Insko	Displaced	
35	CSLH-3	Adams	Favorable as perfected	V
36	ALU-13	Farmer-Butterfield	Failed	V
37	ALU-25	Moore	Withdrawn	
38	ALR-2	Daughtry	Failed	R44-35
39	ALU-19	Clary	Favorable	V
40	ALR-3	Yongue	Failed	V
41	ALE-8	McHenry	Failed for lack of majority	D 30/30
42	ALE-20	McHenry	Favorable	D
43	ALH-7	Hackney	Withdrawn	
44	ALU-27	Michaux	Failed	V
45	ALU-26	Allred	Withdrawn	
46	ALU-28	Bowie	Favorable	V
47	ALU-31	Insko	Withdrawn	
48	ALU-29	Insko	Failed	V
49	ALU-30	Insko	Failed	V
50	ALY-4	Clary	Favorable	V
51	ALN-10	Farmer-Butterfield	Withdrawn	
52	ALY-3	England	Withdrawn	
53	ALE-21	Frye	Failed	V
54	ALD-1	McHenry	Withdrawn	

55	ALU-32	Clary	Favorable	V
56	ALH-4	Crawford	Favorable	V
57	ALR-4	Blust	Failed	V
58		Barnhart, Nye	Favorable	V

Code: V – Voice, R – Roll Call, D - Division

Chair Earl moved to give the committee substitute for House Bill 397, as amended, a favorable report and an unfavorable report to the original bill; with the staff to prepare a new committee substitute with the amendments engrossed and the staff authorized to make any technical corrections that are required. The motion carried.

The meeting adjourned at 10:40 p.m.

Representative Jim Crawford, Co-Chair

Linda Winstead, Committee Assistant

Representative Beverly Earle

Representative Rex Baker
Representative Debbie Clary
Representative Robert Grady
Representative Bill Owens
Representative Wilma Sherrill
Representative Thomas Wright

HOUSE APPROPRIATIONS COMMITTEE REPORT ON THE CONTINUATION, EXPANSION AND CAPITAL BUDGETS

April 14, 2003

Rep. Rex Baker

Rep. Debbie Clary

Rep. Jim Crawford

Rep. Beverly Earle

Rep. Robert Grady

Rep. Bill Owens

Rep. Wilma Sherrill

Rep. Thomas Wright

Chairs

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BUDGET REFORM STATEMENT

Budget Reform Statement
General Fund Availability

	FY 2003-2004	FY 2004-2005
Unappropriated Balance	103,885	0
Beginning Unreserved Credit Balance	375,000,000	0
Revenues Based on Existing Tax Structure	13,398,700,000	14,203,160,000
Non-tax Revenues		
Investment Income	126,266,801	132,056,801
Judicial Fees	137,520,000	144,430,000
Disproportionate Share	100,000,000	100,000,000
Insurance	51,900,000	53,900,000
Other Non-Tax Revenues	116,050,000	120,100,000
Highway Trust Fund Transfer	16,379,000	16,910,000
Highway Fund Transfer	252,422,125	231,774,330
Subtotal Non-tax Revenues	**800,537,926**	**799,171,131**
Total General Fund Availability	**14,574,341,811**	**15,002,331,131**
Adjustments to Availability: 2003 Session		
Finance Committee Revenue Initiatives	384,000,000	480,900,000
Tobacco Settlement Funds-Tobacco Trust Fund	40,000,000	40,000,000
Tobacco Settlement Funds-Health & Wellness Trust Fund	20,000,000	20,000,000
Transfer from Disaster Reserve	100,000,000	0
Credit Savings Reserve Account	(100,000,000)	0
Credit to Repairs and Renovations Account	(50,000,000)	0
Subtotal Adjustments to Availability: 2003 Session	**394,000,000**	**540,900,000**
General Fund Availability for 2003-05 Biennium	**14,968,341,811**	**15,543,231,131**
Total General Fund Appropriations 2003-05 Biennium	**(14,968,341,811)**	**(15,535,630,248)**
Unappropriated Balance	**0**	**7,600,883**

SUMMARY:

GENERAL FUND APPROPRIATIONS

General Fund Appropriations
Fiscal Year 2003-04
2003 Session

	Governor's Proposed FY2003-04 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2003-04 Appropriation
Education:						
Community Colleges	671,476,663	(9,101,208)	(3,265,000)	(12,366,208)	0.0	659,110,455
Public Education	6,086,682,250	(135,891,033)	66,900,000	(68,991,033)	(744.7)	6,017,691,217
University System	1,836,352,141	(61,088,656)	(13,854,896)	(74,943,552)	271.0	1,761,408,589
Total Education	**8,594,511,054**	**(206,080,897)**	**49,780,104**	**(156,300,793)**	**(473.7)**	**8,438,210,261**
General Government:						
Administration	56,925,133	(1,191,289)	0	(1,191,289)	(24.4)	55,733,844
Auditor	10,847,686	(604,215)	0	(604,215)	(3.0)	10,243,471
Cultural Resources	54,627,586	(433,622)	0	(433,622)	(19.8)	54,193,964
Cultural Resources - Roanoke Island	1,720,952	(220,952)	0	(220,952)	0.0	1,500,000
General Assembly	42,858,926	(1,297,463)	0	(1,297,463)	0.0	41,561,463
Governor	5,112,108	(285,605)	30,000	(255,605)	0.0	4,856,503
Insurance	23,364,277	(1,629,142)	0	(1,629,142)	(5.5)	21,735,135
Insurance - Worker's Compensation Fund	4,500,000	0	0	0	0.0	4,500,000
Lieutenant Governor	633,293	(31,571)	0	(31,571)	0.0	601,722
Office of Adminstrative Hearings	2,540,719	(131,036)	0	(131,036)	(2.0)	2,409,683
Revenue	76,720,217	(3,218,320)	0	(3,218,320)	(13.0)	73,501,897
Rules Review Commission	310,454	0	0	0	0.0	310,454
Secretary of State	8,210,304	(456,075)	0	(456,075)	(4.0)	7,754,229
State Board of Elections	3,123,646	1,791,936	2,524,400	4,316,336	0.0	7,439,982
State Budget and Management	4,428,558	(252,021)	0	(252,021)	(4.0)	4,176,537
State Budget and Management -- Special	3,080,000	50,000	0	50,000	0.0	3,130,000
State Controller	10,046,077	(351,613)	0	(351,613)	0.0	9,694,464
Treasurer - Operations	8,063,750	11,878,080	0	11,878,080	158.0	19,941,830
Treasurer - Retirement / Benefits	7,131,179	50,000	0	50,000	0.0	7,181,179
Total General Government	**324,244,865**	**3,667,092**	**2,554,400**	**6,221,492**	**82.3**	**330,466,357**
Health and Human Services:						
Office of the Secretary	99,449,713	(18,865,880)	1,200,000	(17,665,880)	(0.5)	81,783,833
Aging Division	28,585,838	(1,050,000)	0	(1,050,000)		27,535,838
Blind and Deaf / Hard of Hearing Services	9,533,508	(230,838)	0	(230,838)	(4.0)	9,302,670
Child Development	267,002,174	(16,059,000)	0	(16,059,000)	(0.6)	250,943,174
Education Services	33,168,936	(1,562,074)	0	(1,562,074)	(9.2)	31,606,862
Facility Services	14,442,802	(5,000,272)	0	(5,000,272)		9,442,530
Medical Assistance	2,538,978,314	(241,434,745)	(30,000,000)	(271,434,745)		2,267,543,569
Mental Health	581,275,947	(4,254,364)	0	(4,254,364)		577,021,583

General Fund Appropriations
Fiscal Year 2003-04
2003 Session

	Governor's Proposed FY2003-04 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2003-04 Appropriation
NC Health Choice	37,317,907	7,740,000	0	7,740,000		45,057,907
Public Health	130,648,960	(5,222,232)	1,000,000	(4,222,232)		126,426,728
Social Services	184,886,538	(3,757,864)	(4,400,000)	(8,157,864)		176,728,674
Vocational Rehabilitation	40,645,338	(846,954)	0	(846,954)		39,798,384
Total Health and Human Services	**3,965,935,975**	**(290,544,223)**	**(32,200,000)**	**(322,744,223)**	**(14.3)**	**3,643,191,752**
Justice and Public Safety:						
Correction	985,276,327	(30,357,419)	(14,078,833)	(44,436,252)	(43.0)	940,840,075
Crime Control & Public Safety	28,706,140	(646,814)	975,000	328,186	0.0	29,034,326
Judicial Department	310,319,781	(3,667,898)	(3,400,000)	(7,067,898)	0.0	303,251,883
Judicial - Indigent Defense	75,049,607	(2,471,477)	0	(2,471,477)	0.0	72,578,130
Justice	73,508,002	(1,882,250)	(952,442)	(2,834,692)	(10.0)	70,673,310
Juvenile Justice & Delinquency Prevention	135,679,902	(5,167,157)	(199,272)	(5,366,429)	(21.0)	130,313,473
Total Justice and Public Safety	**1,608,539,759**	**(44,193,015)**	**(17,655,547)**	**(61,848,562)**	**(74)**	**1,546,691,197**
Natural And Economic Resources:						
Agriculture and Consumer Services	51,041,728	(1,529,460)	(297,511)	(1,826,971)	(41.5)	49,214,757
Commerce	35,569,253	(1,474,087)	(1,169,438)	(2,643,525)	0.0	32,925,728
Commerce - State Aid	10,266,728	733,003	0	733,003	0.0	10,999,731
Environment and Natural Resources	153,070,901	(4,210,861)	(2,522,621)	(6,733,482)	(22.1)	146,337,419
DENR - Clean Water Mgmt. Trust Fund	100,000,000	(75,000,000)	0	(75,000,000)	0.0	25,000,000
Labor	13,936,595	(671,594)	0	(671,594)	(4.0)	13,265,001
NC Housing Finance Agency	4,750,945	0	0	0	0.0	4,750,945
NC Biotechnology Center	5,883,395	0	0	0	0.0	5,883,395
Rural Economic Develoment Center	4,658,607	(232,930)	0	(232,930)	0.0	4,425,677
Total Natural and Economic Resources	**379,178,152**	**(82,385,929)**	**(3,989,570)**	**(86,375,499)**	**(67.6)**	**292,802,653**
Transportation	**12,842,163**	**(1,412,638)**	**0**	**(1,412,638)**	**0.0**	**11,429,525**
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	430,130,765	(42,344,845)	0	(42,344,845)		387,785,920
Federal Reimbursement	1,155,948	0	0	0		1,155,948
Subtotal Debt Service	**431,286,713**	**(42,344,845)**	**0**	**(42,344,845)**		**388,941,868**

General Fund Appropriations
Fiscal Year 2003-04
2003 Session

	Governor's Proposed FY2003-04 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2003-04 Appropriation
Statewide Reserves:						
Compensation Increases	0	126,250,000	6,100,000	132,350,000		132,350,000
State Health Plan	0	72,000,000	0	72,000,000		72,000,000
Retirement Rate Adjustment	0	16,546,000	10,000,000	26,546,000		26,546,000
Retiree Health Benefits	0	36,800,000	0	36,800,000		36,800,000
	5,000,000	0	0	0		5,000,000
Salary Adjustment Fund	500,000	0	0	0		500,000
MH/DD/SAS Trust Fund	0	0	10,000,000	10,000,000		10,000,000
Economic Incentives Reserve	0	0	2,600,000	2,600,000		2,600,000
Judicial Staffing/Salary Reserve	0	461,198	0	461,198		461,198
State Surplus Real Property System	0	0	250,000	250,000		250,000
Blue Ribbon Commission on Medicaid Reform	0	0	500,000	500,000		500,000
HIPAA Implementation	0	0	2,000,000	2,000,000		2,000,000
Subtotal Statewide Reserves	**5,500,000**	**252,057,198**	**31,450,000**	**283,507,198**		**289,007,198**
Total Reserves and Debt Service	**436,786,713**	**209,712,353**	**31,450,000**	**241,162,353**		**677,949,066**
Total General Fund for Operations	**15,322,038,681**	**(411,237,257)**	**29,939,387**	**(381,297,870)**	**(547.3)**	**14,940,740,811**
Other General Fund Expenditures:						
Capital Improvements	0	0	27,601,000	27,601,000		27,601,000
Repairs and Renovations	0	0		0		0
Total Other General Fund Expenditures	**0**	**0**	**27,601,000**	**27,601,000**		**27,601,000**
Total General Fund Budget	**15,322,038,681**	**(411,237,257)**	**57,540,387**	**(353,696,870)**	**(547.3)**	**14,968,341,811**

General Fund Appropriations
Fiscal Year 2004-05
2003 Session

	Governor's Proposed FY2004-05 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2004-05 Appropriation
Education:						
Community Colleges	671,285,977	(9,101,208)	0	(9,101,208)	0.0	662,184,769
Public Education	6,211,172,835	(185,663,737)	0	(185,663,737)	(748.7)	6,025,509,098
University System	1,857,413,185	(61,088,656)	0	(61,088,656)	271.0	1,796,324,529
Total Education	**8,739,871,997**	**(255,853,601)**	**0**	**(255,853,601)**	**(477.7)**	**8,484,018,396**
General Government:						
Administration	57,503,556	(1,191,325)	0	(1,191,325)	(24.4)	56,312,231
Auditor	10,857,642	(614,171)	0	(614,171)	(3.0)	10,243,471
Cultural Resources	54,337,128	(421,814)	0	(421,814)	(19.8)	53,915,314
Cultural Resources - Roanoke Island	1,722,606	(222,606)	0	(222,606)	0.0	1,500,000
General Assembly	46,268,768	(1,297,463)	0	(1,297,463)	0.0	44,971,305
Governor	5,112,933	(286,430)	0	(286,430)	0.0	4,826,503
Insurance	23,395,414	(1,629,142)	0	(1,629,142)	(5.5)	21,766,272
Insurance - Worker's Compensation Fund	4,500,000	0	0	0	0.0	4,500,000
Lieutenant Governor	633,293	(31,571)	0	(31,571)	0.0	601,722
Office of Adminstrative Hearings	2,542,833	(131,036)	0	(131,036)	(2.0)	2,411,797
Revenue	77,372,834	(3,870,937)	0	(3,870,937)	(13.0)	73,501,897
Rules Review Commission	310,454	0	0	0	0.0	310,454
Secretary of State	8,179,923	(726,694)	0	(726,694)	(10.0)	7,453,229
State Board of Elections	3,124,003	1,791,936	0	1,791,936	0.0	4,915,939
State Budget and Management	4,432,863	(252,021)	0	(252,021)	(4.0)	4,180,842
State Budget and Management -- Special	3,080,000	50,000	0	50,000	0.0	3,130,000
State Controller	10,071,064	(351,613)	0	(351,613)	0.0	9,719,451
Treasurer - Operations	8,066,505	11,878,080	0	11,878,080	158.0	19,944,585
Treasurer - Retirement / Benefits	7,131,179	50,000	0	50,000	0.0	7,181,179
Total General Government	**328,642,998**	**2,743,193**	**0**	**2,743,193**	**76.3**	**331,386,191**
Health and Human Services:						
Office of the Secretary	100,272,566	(19,688,733)	0	(19,688,733)	(0.5)	80,583,833
Aging Division	28,585,838	(1,050,000)	0	(1,050,000)	0.0	27,535,838
Blind and Deaf / Hard of Hearing Services	9,617,846	(230,838)	0	(230,838)	(4.0)	9,387,008
Child Development	267,006,355	(16,063,181)	0	(16,063,181)	(0.6)	250,943,174
Education Services	32,945,950	(1,475,874)	0	(1,475,874)	(9.2)	31,470,076
Facility Services	14,443,088	(5,000,558)	0	(5,000,558)	(3.0)	9,442,530
Medical Assistance	2,980,706,037	(395,114,306)	(30,000,000)	(425,114,306)	0.0	2,555,591,731
Mental Health	584,487,605	(4,333,171)	0	(4,333,171)	(143.8)	580,154,434

General Fund Appropriations
Fiscal Year 2004-05
2003 Session

	Governor's Proposed FY2004-05 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2004-05 Appropriation
NC Health Choice	37,317,907	7,740,000	0	7,740,000	0.0	45,057,907
Public Health	132,441,289	(7,018,141)	0	(7,018,141)	(14.5)	125,423,148
Social Services	189,939,178	(3,359,910)	0	(3,359,910)	(56.0)	186,579,268
Vocational Rehabilitation	41,453,587	(862,469)	0	(862,469)	(25.0)	40,591,118
Total Health and Human Services	**4,419,217,246**	**(446,457,181)**	**(30,000,000)**	**(476,457,181)**	**(256.5)**	**3,942,760,065**
Justice and Public Safety:						
Correction	991,226,311	(31,104,862)	50,833	(31,054,029)	(43.0)	960,172,282
Crime Control & Public Safety	28,785,824	(646,814)	0	(646,814)	0.0	28,139,010
Judicial Department	314,116,595	(3,667,898)	0	(3,667,898)	0.0	310,448,697
Judicial - Indigent Defense	73,116,571	(2,471,477)	0	(2,471,477)	0.0	70,645,094
Justice	73,574,376	(2,115,064)	0	(2,115,064)	(10.0)	71,459,312
Juvenile Justice & Delinquency Prevention	138,675,409	(8,169,911)	0	(8,169,911)	(21.0)	130,505,498
Total Justice and Public Safety	**1,619,495,086**	**(48,176,026)**	**50,833**	**(48,125,193)**	**(74.0)**	**1,571,369,893**
Natural And Economic Resources:						
Agriculture and Consumer Services	51,093,029	(1,777,873)	(78,000)	(1,855,873)	(41.5)	49,237,156
Commerce	34,639,574	(1,474,087)	0	(1,474,087)	0.0	33,165,487
Commerce - State Aid	10,266,728	733,003	0	733,003	0.0	10,999,731
Environment and Natural Resources	157,263,823	(4,210,861)	0	(4,210,861)	(22.1)	153,052,962
DENR - Clean Water Mgmt. Trust Fund	100,000,000	(75,000,000)	0	(75,000,000)	0.0	25,000,000
Labor	13,945,245	(671,594)	0	(671,594)	(4.0)	13,273,651
NC Housing Finance Agency	4,750,945	0	0	0	0.0	4,750,945
NC Biotechnology Center	5,883,395	0		0	0.0	5,883,395
Rural Economic Develoment Center	4,658,607	(232,930)	0	(232,930)	0.0	4,425,677
Total Natural and Economic Resources	**382,501,346**	**(82,634,342)**	**(78,000)**	**(82,712,342)**	**(67.6)**	**299,789,004**
Transportation	**12,872,739**	**(1,412,638)**	**0**	**(1,412,638)**	**0.0**	**11,460,101**
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	498,993,307	(24,513,855)	0	(24,513,855)		474,479,452
Federal Reimbursement	1,155,948	0	0	0		1,155,948
Subtotal Debt Service	**500,149,255**	**(24,513,855)**	**0**	**(24,513,855)**	**0.0**	**475,635,400**

General Fund Appropriations
Fiscal Year 2004-05
2003 Session

	Governor's Proposed FY2004-05 Base Budget	Recurring Adjustments	Nonrecurring Adjustments	Net Changes	FTE Changes	Fiscal Year 2004-05 Appropriation
Statewide Reserves:						
Compensation Increases	0	126,250,000	0	126,250,000		126,250,000
State Health Plan	0	96,000,000	0	96,000,000		96,000,000
Retirement Rate Adjustment	0	154,200,000	0	154,200,000		154,200,000
Retiree Health Benefits	0	36,800,000	0	36,800,000		36,800,000
	5,000,000	0	0	0		5,000,000
Salary Adjustment Fund	500,000	0	0	0		0
MH/DD/SAS Trust Fund	0	0	0	0		0
Economic Incentives Reserve	0	0	0	0		0
Judicial Staffing/Salary Reserve	0	461,198		461,198		461,198
State Surplus Real Property System	0	0	0	0		0
Blue Ribbon Commission on Medicaid Reform		0	0	0		0
HIPAA Implementation	0	0	0	0		0
Subtotal Statewide Reserves	**5,500,000**	**413,711,198**	**0**	**413,711,198**	**0.0**	**418,711,198**
Total Reserves and Debt Service	**505,649,255**	**389,197,343**	**0**	**389,197,343**	**0.0**	**894,846,598**
Total General Fund for Operations	**16,008,250,667**	**(442,593,252)**	**(30,027,167)**	**(472,620,419)**		**15,535,630,248**
Other General Fund Expenditures:						
Capital Improvements	0	0		0		0
Repairs and Renovations	0	0	0	0		0
Total Other General Fund Expenditures	**0**	**0**	**0**	**0**	**0.0**	**0**
Total General Fund Budget	**16,008,250,667**	**(442,593,252)**	**(30,027,167)**	**(472,620,419)**	**(799.5)**	**15,535,630,248**

EDUCATION

Section F

Public Education

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$6,086,682,250**		**$6,211,172,835**	
Legislative Changes				
A. State Public School Fund - Adjustments				
1 Average Daily Membership (ADM) Revise projected increase in ADM for FY 2003-04 to reflect (3,210) fewer students than originally projected. Dollar amount of reduction includes decrease to all position, dollar, and categorical allotments. Total funded ADM for FY 2003-04 is 1,342,806, an increase over FY 2002-03 of 15,941. Due to downward adjustment in ninth grade ADM, reduce receipts from Highway Fund budgeted for Driver's Education by ($199,298) in FY 2003-04 and ($170,291) in FY 2004-05.	($12,561,172)	R	($30,753,953)	R
2 Budgeted Average Salary Revise budgeted funding for certified personnel salaries based on actual salary data from December 2002. Adjustment does not decrease any salary paid to certified personnel.	($37,352,516)	R	($68,781,087)	R
3 Principals Revise allotment to LEAs for Principals to reflect projected 2,258 schools for FY 2003-04 and 2,318 schools for FY 2004-05.	($5,060,711) -67.00	R	($5,060,711) -67.00	R
4 Assistant Principal Allotment Revise allotment to LEAs for Assistant Principals to reflect funding only of certified personnel.Continuation budget included funds for 131 Assistant Principal Intern positions which are eliminated.	($5,061,578) -131.00	R	($5,061,578) -131.00	R
5 Teacher Assistants Revise dollar allotment for Teacher Assistants to be in accordance with Public Schools allotment formula of $828.45 per ADM. Continuation budget refelected an increase based on additional funds per student.	($2,349,271)	R	($2,349,271)	R
6 At-Risk Student Services Revise portion of categorical allotment for At-Risk Student Services that is based on number of students in poverty to reflect a 1% decrease in this population, as per most recent estimates.	($852,723)	R	($852,723)	R

	FY 2003-04		FY 2004-05	
7 Personnel Services Revise budgeted reserve for workers compensation/short term disability based on actual expenditures in FY 2001-02 and FY 2002-03 year-to-date expenditures.	($3,715,895)	R	($3,715,895)	R
8 School Resource Officers Revise funding for School Resource Officers to reflect opening of four fewer new high schools in FY 2003-04 than originally projected. This revision anticipates 16 new high schools per year for FY 2003-04 and FY 2004-05.	($151,352) -4.00	R	($302,704) -8.00	R
B. State Public School Fund - Reductions				
9 Central Office Administration Reduce allotment for Central Office Administration for Local Education Agencies (LEAs) by 2%.	($1,949,154) -26.00	R	($1,949,154) -26.00	R
10 Classroom Materials, Supplies, & Equipment Reduce dollar allotment for Materials, Supplies, & Equipment to reflect funding of FY 2003-04 ADM at dollars-per-ADM ratio budgeted in FY 2002-03. Eliminate inflationary increase in dollars-per-ADM ratio reflected in FY 2003-04 continuation budget.	($2,497,619)	R	($2,497,619)	R
11 Formula for PSAT Funding Reduce funding for PSAT by restoring allotment rate to FY 2001-02 level of $2.69 per eighth and ninth grade ADM.	($1,557,910)	R	($1,557,910)	R
12 Textbooks Reduce dollar allotment for Textbooks to reflect funding of FY 2003-04 ADM at dollars-per-ADM ratio budgeted in FY 2002-03. Eliminate inflationary increase in dollars-per-ADM ratio reflected in FY 2003-04 continuation budget.	($3,990,911)	R	($3,990,911)	R
13 Non-Instructional Support Reduce the allotment to LEAs for clerical and custodial support by $13 million. Continue funding for substitute teachers at FY 2002-03 level.	($13,000,000) -533.00	R	($13,000,000) -533.00	R
14 Technology Fund Reduce appropriation for State School Technology Fund.	($5,000,000)	NR		
15 School Bus Replacement Revise school bus replacement schedule for FY 2003-04 to reflect replacement of 692 buses with a three-year lease purchase contract.	($11,000,000)	NR		
16 Transportation Reduce allotment to LEAs for mechanics, garage operations, fuel costs, parts, bus drivers' salaries and benefits, and other operational costs for school bus operations.	($5,000,000)	NR		

	FY 2003-04		FY 2004-05	
17 School Bus Driver Physicals Eliminate appropriation for bus driver physicals. The Department of Transportation has eliminated the requirement that school bus drivers receive physicals.	($560,000)	R	($560,000)	R
18 Bonding of Fiscal Officers Eliminate funds allotted to LEAs for bonding of fiscal officers.	($48,944)	R	($48,944)	R
19 School Breakfast Program Eliminate funds for no-cost breakfast for kindergarten students who do not qualify for free or reduced lunch.	($2,700,000)	R	($2,700,000)	R
20 NC WISE Reduction Reduce funding for implementation of NC WISE system.	($2,600,000)	NR		
21 Department of Public Instruction Reduce appropriation for Department of Public Instruction by 1%. Department has flexibility to determine what budget items are reduced.	($311,331)	R	($311,331)	R
22 Local Education Agency Discretionary Reduction Reduce funds allotted by the State Board of Education to local education agencies (LEAs), who will have discretion in determining what budget items are reduced. The State Board shall distribute the reduction based upon average daily membership (ADM) and, for FY 2003-04, shall require allotment reductions in this amount within 30 days of budget passage. By February 2004, the State Board shall identify recurring reductions to allotment categories for FY 2004-05. LEA flexibility to adjust budgets precludes identification of number of positions that will be affected by this reduction.	($42,000,000)	R	($42,000,000)	R
23 Vocational Education Reduce categorical allotment for Vocational Education to reflect funding based on 50% of 7th grade ADM, plus ADM for grades 8-12. In FY 2002-03, funding was based on ADM for grades 7-12.	($25,623,672) -554.70	R	($25,623,672) -554.70	R
24 Limited English Proficiency Reduce categorical allotment for Students with Limited English Proficiency by 50% of the continuation budget increase in FY 2003-04.	($2,291,248)	R	($2,291,248)	R
25 At-Risk Student Services Reduce categorical allotment for At-Risk Student Services by 50% of the adjusted continuation budget increase in FY 2003-04.	($352,819)	R	($352,819)	R
26 Testing Reduce appropriation for testing to reflect increase in federal receipts for that purpose.	($1,000,000)	R	($1,000,000)	R

	FY 2003-04		FY 2004-05	
27 ADM & Charter School Contingency Reserves Combine ADM Contingency Reserve ($6,000,000) & Charter School Contingency Reserve ($2,405,501) into one reserve that can be used to address unexpected increases in either Public School or Charter School ADM. Reduce consolidated reserve.	($1,405,501)	R	($1,405,501)	R
C. Reductions to Other Funds				
28 Literary Loan Fund Utilize cash balance in Literary Loan Fund for public school operations.	($1,000,000)	NR		
D. Expansion				
29 ABC Bonuses Provide funding for ABC bonuses for schools that in FY 2002-03 meet or exceed expected growth.	$91,000,000	NR		
30 Second Grade Class Size Provide funds to support reduction of the teacher to student allotment ratio for second grade from 1:20 to 1:18.	$25,303,294 571.00	R	$25,303,294 571.00	R
31 Low Wealth Supplemental Funding Increase categorical allotment for Low Wealth Supplemental Funding.	$5,000,000	R	$5,000,000	R
32 LEA Assistance Program Provide funds to establish an assistance program for LEAs that are identified by the State Board of Education as low-performing. Assistance teams shall be assigned to an LEA to provide system wide assessments, technical assistance, and recommendations for improvement.	$500,000	NR		
33 ExplorNet Provides increased funds to support ExplorNet, a non-profit organization that promotes effective use of information technology in the public schools.	$200,000	R	$200,000	R
Total Legislative Changes	**($135,891,033)** **$66,900,000**	R NR	**($185,663,737)**	R
Total Position Changes	-744.70		-748.70	
Revised Budget	**$6,017,691,217**		**$6,025,509,098**	

UNC System

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$1,836,352,141**		**$1,857,413,185**	
Legislative Changes				
34 Reduction in Continuation Budget Increase The Governor proposes reducing by $20.6 million the amount requested by the UNC system for continuation increases. Some of the categories for reduction of inflationary or other types of continuation increases include utilities, building reserves, equipment and vehicle replacements.	($20,649,835) -247.00	R	($20,649,835) -247.00	R
35 One-Time Flexibility Reduction for Campuses It is recommended by the Governor that the 2003-04 continuation budget be reduced by approximately .77% for each of the sixteen campuses and UNC General Administration. These are to be management flexibility reductions.	($13,889,896)	NR		
36 Flexibility Reduction for Campuses The Governor recommends a 3% management flexibility reduction for the sixteen campuses and UNC General Administration.	($44,768,948)	R	($44,768,948)	R
37 Flexibility Reduction for Special Campuses The Governor recommends a reduction of 1.5% for the NC School of Science and Math, the Area Health Education Centers (AHEC), and UNC Hospitals. These are management flexibility reductions.	($3,094,989)	R	($3,094,989)	R
38 Escheats Fund Offset The Governor recommends reducing a portion of the General Funds used to pay for the UNC need-based scholarship program by using funds from the Escheat Fund. This is not a true cut, but rather a swap of funding sources to pay for scholarships for need-based aid.	($13,500,000)	R	($13,500,000)	R
39 Regular Term Enrollment Growth The Governor recommends full funding of the UNC Board of Governors' enrollment growth request. It estimates an increase of 6,123 full-time equivalent (FTE) students or 4.5% to 152,991 FTE in 2003-04. Of this amount $500,000 shall be used to fund the enrollment increases at the NC School of Science and Math.	$46,590,409 518.00	R	$46,590,409 518.00	R
40 Tuition Increase The UNC Board of Governors shall increase resident and nonresident tuition rates by 5% for the next academic year. These receipts shall be used to partially offset the cost of funding the UNC enrollment growth.	($25,000,000)	R	($25,000,000)	R

	FY 2003-04		FY 2004-05	
41 Aid to Private College Enrollment Growth Regular Term Enrollment projections from the NC Association of Independent Colleges and Universities indicate an increase in enrollment for 2003-04 over the current budgeted FTE students. Based upon their estimate, enrollment is projected to increase by 1,300 FTE.	$2,800,000	R	$2,800,000	R
42 Need-Based Financial Aid Growth The Governor recommends adding an additional $10,250,000 to the need-based UNC student financial aid program. Of this amount, $5,107,293 shall be funded from the Escheats fund and the balance from the General Fund	$5,142,707	R	$5,142,707	R
43 Self-Supporting Supercomputer Services Eliminates funds to purchase supercomputer services from MCNC and moves to fee for service.	($2,500,000)	R	($2,500,000)	R
44 Center for Alcohol Studies Endowment Eliminates the yearly state contribution to the Endowment for the Center for Alcohol Studies.	($500,000)	R	($500,000)	R
45 Strategic Initiative Reserve Reduces the UNC System President's Strategic Initiative Reserve.	($2,000,000)	R	($2,000,000)	R
46 Reduce Inflationary Increases Eliminates the continuation budget increases included in the Governor's recommended budget for aid to private medical schools, medical and dental scholars programs. This would keep these budgets at the same level of funding available for this year.	($1,600,000)	R	($1,600,000)	R
47 Tuition Remission Reduction Reduce nonresident graduate tuition remissions by 10%	($3,470,000)	R	($3,470,000)	R
48 UNC-Charlotte Doctoral Transition and Teacher Ed. Funds Provides additional funds for UNC-Charlotte to become a Doctoral Intensive campus and for additional teacher education funds.	$187,000	R	$187,000	R
49 Special Needs Institutions Fund the Board of Governors' request for two campuses with unique missions and small size to continue those missions. These campuses are UNC-Asheville and NC School of the Arts.	$1,000,000	R	$1,000,000	R
50 Articulation Agreement Study Funds Provides partial funding to pay for an independent study of the UNC and Community College Articulation Agreement.	$35,000	NR		
51 World View Funds Appropriates $275,000 for the World View program at UNC-Chapel Hill.	$275,000	R	$275,000	R

	FY 2003-04		FY 2004-05	
Total Legislative Changes	**($61,088,656)**	**R**	**($61,088,656)**	**R**
	($13,854,896)	**NR**		
Total Position Changes	271.00		271.00	
Revised Budget	**$1,761,408,589**		**$1,796,324,529**	

Community Colleges

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$671,476,663**		**$671,285,977**	
Legislative Changes				
A. Formula Modifications				
52 Administrative Formula Adjustment Reduces the enrollment allotment in the adminstrative formula from $1,093 per FTE above 750 to $1,075.50 per FTE above 750 ($2,192,567). The State Board of Community Colleges may determine how the additional 3% reduction will be managed within the administrative formula ($7,535,416).	($9,727,983)	R	($9,727,983)	R
B. Categorical and Miscellaneous Programs				
53 Community Service Block Grant Reduces the Community Service Block Grant to the 2001-02 actual expenditure level, from $1.5 million to $1,329,663.	($170,337)	R	($170,337)	R
54 Compensatory Education Reduces the funding for compensatory education by 25%, from $1,000,000 to $748,393.	($251,607)	R	($251,607)	R
55 Summer Term Reduces the appropriation for summer term curriculum instruction from $7,177,623 to $3,588,811.	($3,588,812)	R	($3,588,812)	R
56 Human Resource Development (HRD) Phases out 50% of the Human Resource Development block grant over one year. HRD courses now earn budgeted continuing education FTE.	($1,995,665) $1,995,665	R NR	($1,995,665)	R
57 New and Expanding Industry Training Reduces the General Fund appropriation for one-year. Additional funding is available for the program from remaining HB275 funds and carry-forward from previous years.	($2,895,415)	NR		
58 Academic Support Supplement Reduces funding for the Academic Support Supplement from $8,840,343 to $5,840,343.	($3,000,000)	R	($3,000,000)	R
59 Special Allotments The Board of Trustees of Haywood Community College voted in March of 2003 to eliminate the curriculum instruction wood products program. Therefore, additional funding for the program is no longer necessary. This reduction eliminates the sawmill portion of the Special Allotments line item.	($48,945)	R	($48,945)	R

	FY 2003-04		FY 2004-05	
60 Public Radio Isothermal Redistributes funds for community college public radio operations between Isothermal Community College and Gaston College. This reduction is a 50% reduction to Isothermal public radio funding.	($67,460)	R	($67,460)	R
61 Public Radio Gaston College Redistributes funds for community college public radio operations between Isothermal Community College and Gaston College. This increase provides Gaston College with 50% of the current appropriation.	$67,460	R	$67,460	R
62 Multi-Campus College Funding Althought the appropriation for multi-campus colleges has not changed since FY99-00, the per campus allotment has been reduced due to an increase in the number of campuses eligible for the funding. This appropriation provides additional funding in order to increase the per campus allotment to FY01-02 levels. The State Board shall allocate to each college with multi-campus designation the sum of $102,591 per campus. Colleges with campuses that will come on-line during the fiscal year shall receive a pro-rata share of the per campus allotment. Funds remaining in the line item at the end of the year shall revert.	$300,000	R	$300,000	R
63 Hickory Metropolitan Higher Education Center Provides a non-recurring grant-in-aid to the Hickory Metropolitan Higher Education Center.	$474,750	NR		
64 Automotive Training Incentive Provides a one-time grant to match a donation from the North Carolina Automotive Dealers Association to fund an incentive program.	$125,000	NR		
65 Comprehensive Articulation Agreement Study Provides 50% of the funding for an independent study of the Comprehensive Articulation Agreement.	$35,000	NR		
C. Management Flexibility				
66 Management Flexibility Reserve Allows the State Board of Community Colleges to distribute discretionary reductions to the colleges and allows individual colleges the flexibility to adjust their budget to implement the reduction.	($11,237,420)	R	($11,237,420)	R
D. System Office				
67 System Office The Governor recommends a 1% reduction to the System Office. This item reduces the System Office Budget (excluding CIS and Financial Aid) by $102,539.	($102,539)	R	($102,539)	R

	FY 2003-04		FY 2004-05	
E. Tuition, Enrollment, and Financial Aid				
68 Need-Based Financial Aid The Governor has recommended using interest earned on the Escheat's Fund for financial aid in the universities and community colleges. This reduction eliminates the General Fund appropriation for Need-Based Financial Aid. Funding for community college need-based financial aid will be provided at the same level from the Escheat's fund.	($7,062,806)	R	($7,062,806)	R
69 Over-realized Receipts Increases the amount budgeted for receipts by $3,000,000.	($3,000,000)	NR		
70 Enrollment Growth Fully funds the community college enrollment request.	$30,984,906	R	$30,984,906	R
71 Tuition Increase Increases curriculum tuition by 3.2%, from $34.25 per credit hour to $35.50 per credit hour. Full-time students will pay $568 per semester or $1,136 per year (Fall and Spring).	($3,200,000)	R	($3,200,000)	R
Total Legislative Changes	**($9,101,208)** **($3,265,000)**	R NR	**($9,101,208)**	R
Total Position Changes				
Revised Budget	**$659,110,455**		**$662,184,769**	

HEALTH
&
HUMAN SERVICES

Section G

Health and Human Services

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$3,965,935,975**		**$4,419,217,246**	

Legislative Changes

(1.0) Division of Aging

1 Home and Community Care Block Grant Services Reduces state funds for the Home and Community Care Block Grant.	($1,000,000)	R	($1,000,000)	R
2 Alzheimer's Associations Contracts Replaces state funds for two Alzheimer's Associations with federal funds in the Social Services Block Grant.	($150,000)	R	($150,000)	R
3 Funds for Senior Centers Provides funds for Senior Center Outreach and Development.	$100,000	R	$100,000	R

(2.0) Division of Social Services

4 Contract Reductions/Eliminations Reduces contracts in the Children Services Section.	($213,180)	R	($213,180)	R

Children's Home Society of N.C., Inc.	($7,000)
General Baptist State Convention of N.C., Inc.	($3,836)
N.C. Dept. of Justice	(485)
North Carolina State University	($5,925)
UNC-CH Child Welfare Education Collaborative	($58,561)
UNC- Greensboro	($717)
Resources for Change	($5,687)
Children and Family Services	($8,630)
Family and Children Resource Program	($31,608)
Another Choice for Black Children	($8,125)
Appalachian State University - Social Work Program	($6,375)
UNC-CH Evaluation	($17,776)
UNC-CH Medical Aspects Training	(924)

Eliminates the following contracts:

Eight (8) contracts for fingerprinting for criminal records checks	($27,775)
Five (5) personal services contracts	($9,756)
Eliada Homes	($20,000)

	FY 2003-04		FY 2004-05	
5 Maximize Federal Receipts for State/County SA Reduces state funds historically used to fund State/County Special rates, that are allowable expenditures covered by Medicaid. Existing state funds will be transferred from the Division of Social Services to the Division of Medical Assistance to match federal funds to increase the Adult Care Home Personal Care Services Rate. This reduction will allow for an equal savings for State/County Special Assistance for counties.	($5,632,980)	R	($5,632,980)	R
6 Inflationary Adjustments Reduces funds for inflation for the biennium.	($438)	R	($884)	R
7 Child Caring Institutions Reduces funds for Child Caring Institutions for uncompensated cost of care.	($710,546)	R	($710,546)	R
8 Work First Electing Counties Reduces excess funds for electing counties.	($1,474,460)	R	($1,474,460)	R
9 Adult Home Care Management Reduces state funds for case management services provided to recipients of State/County Special Assistance.	($1,000,000)	R	($1,000,000)	R
10 Adult Home Specialist Fund Eliminates funds provided to local departments of social services to reduce the caseload of employees who monitor quality in adult care homes.	($1,400,000)	R	($1,400,000)	R
11 Welfare Automation Fund Reduces funds for automation initiatives for one year.	($5,400,000)	NR		
12 State Maternity Home Fund Replaces state funds with federal funds in the Temporary Assistance for Needy Families Block Grant.	($400,000)	R	($400,000)	R
13 Abortion Fund Eliminates funds for the State Abortion Fund, that have reverted to the General Fund since 1996. In accordance with requirements established by federal Medicaid regulations, State funds may be used to fund abortions only to terminate pregnancies resulting from cases of rape or incest or to terminate pregnancies that, in the written opinion of one doctor licensed to practice medicine in North Carolina, endanger the life of the mother.	($50,000)	R	($50,000)	R
14 State/County Special Assist. Rate Adjustment Provides state funds for a rate increase for State/County Special Assistance recipients. Total funds required for the increase are $6,000,000, with the state funding 50% and counties funding the remaining 50%.	$3,000,000	R	$3,000,000	R

	FY 2003-04		FY 2004-05	
15 Personal Needs Allowance for SA Program Increases the personal needs allowance for recipients of State/County Special Assistance by $10 per month increasing the allowance from $36 to $46 per month.	$1,123,740	R	$1,522,140	R
16 Foster Care/Adoption Assistance Rate Adjustment Provides state funds to increase assistance payments for parents who provide homes to children in foster care and increases the rate paid to parents who adopt children from the foster care system. Increases the rates per category $100/per month.	$3,000,000	R	$3,000,000	R
17 Food Banks Provides funding to be equally distributed to the regionalnetwork of food banks in North Carolina.	$1,000,000	NR		
(3.0) Division of Facility Services				
18 Licensure and Inspection Fees Implements fees for health care facilities (excluding Hospice) to pay for initial licensure and annual renewal.	($5,000,000)	R	($5,000,000)	R
19 Inflationary Adjustments Reduces inflation for the biennium.	($272)	R	($558)	R
(4.0) Division of Child Development				
20 Smart Start Local Partnership Funds Reduces funding for local partnerships' activities.	($9,500,000)	R	($9,500,000)	R
21 Inflationary Adjustments Eliminates noncritical inflation for the second year of the biennium.			($4,181)	R
22 Professional Development Funds Reduces the funds available for child care employees to improve their educational qualifications.	($109,000)	R	($109,000)	R
23 Child Care Subsidy Funds Reduces funds for child care subsidies.	($3,900,000)	R	($3,900,000)	R
24 T.E.A.C.H Reduces funds for the T.E.A.C.H. program.	($1,300,000)	R	($1,300,000)	R
25 NCPC Funds Reduces funding for administrative activities at the state partnership level.	($400,000)	R	($400,000)	R

	FY 2003-04		FY 2004-05	
26 Child Care Licensure Fees Implements new fees for regulated child care centers and homes and reduces state appropriations.	($850,000)	R	($850,000)	R
(5.0) Office of Education Services				
27 Western School for the Deaf Eliminates unnecessary positions at the WNCSD, positions include 3 vacant and .725 filled positions. Positions include one Painter, one Physical Therapist, one Administrative Officer I and .725 Computer Support Tech II.	($330,157) -3.72	R	($330,157) -3.72	R
28 Inflationary Adjustments Reduces inflationary adjustments deemed not critical to sustaining agency operations and services within the Office of Educational Services.	($198,236)	R	($112,036)	R
29 Governor Morehead Preschool Program Reduces the operating budget for the Governor Morehead Preschool Program.	($229,488)	R	($229,488)	R
30 Eastern School for the Deaf Eliminates positions at the Eastern School for the Deaf. Includes 5.50 full-time equivalent positions (3.5 vacant and 2 filled). Positions include 2 Residential Life Coordinators, 2.5 Educator II's, and 1 School Administrator I.	($341,204) -5.50	R	($341,204) -5.50	R
31 Central School for the Deaf Maintenance Reduces the maintenance budget for the closed Central North Carolina School for the Deaf.	($202,989)	R	($202,989)	R
32 Combine Business Functions at Broughton and WNCSD Eliminates positions by combining functions at the Broughton Hospital and Western North Carolina School for the Deaf. Position elimination includes a Business Manager (1 FTE) at WNCSD.	($200,000)	R	($200,000)	R
33 Transportation Budget Reduces the transportation budgets for the residential schools.	($60,000)	R	($60,000)	R
(6.0) Division of Public Health				
34 Scientific and Other Supplies Reduces inflationary increases for noncritical scientific and other supplies.	($188,531)	R	($341,074)	R
35 Inflationary Adjustments Reduces inflationary adjustments for purchase of medical care, energy, and utilities.	($1,759,264)	R	($3,402,630)	R
36 Disease Intervention Specialists - Receipts Reduces state appropriations for 14 positions and maximizes federal receipts to support these positions.	($112,101)	R	($112,101)	R

	FY 2003-04		FY 2004-05	
37 State Center for Health Statistics - Receipts Reduces state appropriations and maximizes Medicaid receipts to support administrative costs.	($60,000)	R	($60,000)	R
38 Pediatric Care Clinics - Receipts Reduces state appropriations for pediatric primary care clinics within local health departments and replaces funds with Maternal and Child Health Block Grant funds.	($170,000)	R	($170,000)	R
39 Women's and Children's Health Section - Receipts Reduces state appropriations for the Sickle Cell Program, Community Transition Coordination, and Perinatal/Outreach and Education Training Program and maximizes federal receipts.	($144,000)	R	($144,000)	R
40 Immunization Program- Receipts Reduces state appropriations for four immunization program support positions and replaces funding with federal receipts.	($133,377)	R	($133,377)	R
41 Unencumbered Contract Funds Eliminates funds for the Area Health Education Center within the UNC School of Public Health. The funding supports health promotion training and workshop in the Office of Continuing Education.	($83,995)	R	($83,995)	R
42 Closure of the Dusty Trades Program Eliminates 3.25 vacant program positions that support the Dusty Trades Program. Positions include 1 Medical Records Clerk, and 2.25 Industrial Hygienists	($165,405) -3.25	R	($165,405) -3.25	R
43 Pregnancy Prevention Coalition of NC Eliminates the grant-in-aid funding to the North Carolina Pregnancy Prevention Coalition of North Carolina.	($127,500)	R	($127,500)	R
44 Farmers' Market Program Eliminates the funding for the Farmers' Market Program.	($156,630)	R	($156,630)	R
45 Intensive Home Visitation Program Eliminates funding for the Intensive Home Visitation Program.	($500,000)	R	($500,000)	R
46 Child Fatality Task Force Staff Eliminates one filled position and .20 FTE vacant position for the Child Fatality Task Force.	($64,429) -1.20	R	($64,429) -1.20	R
47 Health Promotion Funding Reduces health promotion funding.	($100,000)	R	($100,000)	R
48 Regional Offices Reduces funding for regional division offices.	($230,000)	R	($230,000)	R
49 Prevent Blindness of North Carolina Eliminates grant-in-aid funding to Prevent Blindness of North Carolina.	($377,000)	R	($377,000)	R

	FY 2003-04		FY 2004-05	
50 Pap Smear Fees Increases the fees charged to local health departments for the processing of pap smear specimens. Local health departments currently pay for the price of the kit which is $7.44 and the additional $7.00 charge will cover the processing of the specimens.	($1,050,000)	R	($1,050,000)	R
51 Vital Records Improvements Funds personnel and one-time system upgrades for the management of vital records within the Division of Public Health. Positions include four FTE's to handle adoption, paternities, and Spanish language needs and two time limited positions to eliminate backlogs.	$200,000 $1,000,000 4.00	R NR	$200,000 4.00	R

(7.0) Division of Mental Health, Developmental Disabilities, and Substance Abuse Services

52 Reduce and Eliminate Contracts Eliminates State funds in the following contracts: NC Department of Justice ($14,026) Eliada Homes, Inc. ($142,726) NC SA Professional Cert. Board ($25,000) UNC-CH School of Social Work ($75,000) East Carolina University ($124,282) Step One, Inc. ($98,947) MH Association of NC ($140,000) Charlotte/Meck Hospital Author. ($63,000) UNC-CH Core Indicator Project ($63,448) Reduces State funds in the following contracts: NC High School Athletics Assoc. ($122,624) Brain Injury Assoc. of NC ($25,000) None of the listed contracts provide direct services.	($894,053)	R	($894,053)	R
53 Inflationary Adjustments Reduces inflation built into the continuation budget associated with utilities, vehicles, communications, and equipment. This reduction does not include inflation for direct care services in the state institutions.	($3,102,983)	R	($3,181,790)	R
54 Mental Retardation Center Outreach Reduces expenditures for state-operated mental retardation centers by decreasing outreach expenditures by 30%.	($537,328)	R	($537,328)	R
55 Autism Funds Provides funds for the operation of Residential Services Inc. to provide residential services to autistic children.	$280,000	R	$280,000	R

(8.0) Division of Medical Assistance

56 Revised Medicaid Forecast Reduces state appropriations for the Medicaid Program based on the revised forecast for SFYs 2003-04 and 2004-05.	($167,606,684)	R	($243,367,979)	R

	FY 2003-04		FY 2004-05	
57 Cost Avoidance Model for Pharmacy Claims Establishes a cost avoidance model for pharmacy claims to ensure that claims are billed first to third-party insurers and Medicaid is the payer of last resort.	($5,593,400)	R	($9,588,686)	R
58 Inflationary Increases for Rate Based Services Eliminates inflationary increases for the following fee-based services: hospitals, nursing facilities, physicians, other health care providers, dental, home health, ambulance, personal care, chiropractic, podiatry, optical, high risk intervention, durable medical equipment, home infusion therapy, adult care home personal care services, and ambulatory surgical centers.	($16,153,478)	R	($27,691,677)	R
59 Inflationary Increases for Public Providers Eliminates inflationary increases for the following public providers: health departments, area mental health programs, and county transportation services.	($6,349,976)	R	($10,885,672)	R
60 Inflationary Increases for Fee Based Services Eliminates inflationary increases for the following fee based services: outpatient hospital services, freestanding and rural health clinics, federally qualified health clinics, community alternative programs, lab and X-ray services, prescription drugs, case management, hearing aids, emergency room services, Medicare crossover payments, HMO premiums, hospice services, and adult care home transportation.	($19,132,403)	R	($32,197,738)	R
61 Inflationary Adjustments Eliminates some of the inflationary adjustments for the administrative operations of the Division of Medical Assistance.	($3,550,478)	R	($8,552,345)	R
62 Drug Utilization Management Expands implementation of the various drug implementation measures to contain the cost of prescription drugs.	($15,000,000)	R	($25,500,000)	R
63 Medicaid Reserve Funds Transfers funds from the G.S.143-23.2 reserve to support current services and to reduce appropriations.	($30,000,000)	NR	($30,000,000)	NR
64 Co-payments for Prescription Drugs Increases co-payments for generic prescription drugs from $1.00 to $3.00 per prescription.	($4,400,000)	R	($4,400,000)	R
65 Coverage for 19 and 20 Year Olds Eliminates Medicaid coverage for individuals age 19 and 20.	($2,050,838)	R	($3,535,928)	R
66 State Transitional Medicaid Coverage Eliminates twelve month State Transitional Medicaid Coverage for families and children who are working and no longer receiving welfare payment.	($412,322)	R	($21,135,628)	R

	FY 2003-04		FY 2004-05	
67 Pregnant Women and Infant Coverage Eliminates Medicaid coverage for pregnant women and infants with incomes between 151% to 185% of the Federal Poverty Limits.	($2,185,166)	R	($9,258,653)	R
68 Carolina ACCESS II and III Expands the Carolina ACCESS II and III programs to additional counties.	$1,000,000	R	$1,000,000	R
(9.0) NC Health Choice				
69 NC Health Choice Maintains funding for NC Health Choice Program to serve 100,000 children.	$7,740,000	R	$7,740,000	R
(10.0) Divisions of Services for the Blind and Services for Deaf & Hard of Hearing				
70 Regional Resource Centers Eliminates three filled and one vacant positions at the regional resource centers operated by the Division of Services for the Deaf and Hard of Hearing. The following positions will be eliminated: 1.0 Computing Consultant II, 1.0 Staff Development Specialist II, 1.0 Administrative Officer II, and 1.0 Office Assistant III.	($180,838) -4.00	R	($180,838) -4.00	R
71 State Assistance for the Blind Reduces excess funding for Special Assistance for the Blind program.	($50,000)	R	($50,000)	R
(11.0) Division of Vocational Rehabilitation				
72 Independent Living Program Reduces funding for the Independent Living Program to a level consistent with historical expenditures.	($300,000)	R	($300,000)	R
73 Inflationary Adjustments Eliminates some of the inflationary adjustments for the Division of Vocational Rehabilitation. Motor vehicles and T1 line are specifically targeted.	($303,214)	R	($318,729)	R
74 State Operated Rehabilitation Facilities Closes state operated rehabilitation facilities and shift services for these clients to community-based settings.	($193,740)	R	($193,740)	R
75 Universal Design Contract Eliminates the Universal Design contract with NCSU's Center for Universal Design.	($50,000)	R	($50,000)	R

	FY 2003-04		FY 2004-05	
(12.0) Office of the Secretary				
76 Inflationary Adjustments - Controller's Office Eliminates inflationary increases for water and sewer, electricity, and natural gas utilities.	($1,044)	R	($2,127)	R
77 Division of Information Resource Management Eliminates operating budget adjustments for the Division of Information Resource Management. Affects the following line items; data processing services, computer software, data processing supplies, maintenance agreements for data processing equipment and software, telecommunication data charges, and information technology services.	($23,014,348)	R	($23,836,118)	R
78 NC Child Advocacy Institute Grant-in-Aid Eliminates grant-in-aid to the NC Child Advocacy Institute.	($225,000)	R	($225,000)	R
79 Vacant Position Elimination Eliminate one HR Planner Supervisor II position in the Office of Research, Demonstration, and Rural Health. (This position is funded with 50% state funds and 50% federal funds)	($25,488) -0.50	R	($25,488) -0.50	R
80 SIPS Rate Reduction Requires the Department to renegotiate rates with SIPS for data storage and other data processing services.	($3,000,000)	R	($3,000,000)	R
81 More at Four Expands the More At Four program by adding 2,400 slots to the program, bringing the total number of available slots to 10,000. The nonrecurring funding of $1,200,000 will provide $500 per slot for start-up expenses.	$7,400,000 $1,200,000	R NR	$7,400,000	R
Total Legislative Changes	**($290,544,223)** **($32,200,000)**	**R** **NR**	**($446,457,181)** **($30,000,000)**	**R** **NR**
Total Position Changes	-14.17		-14.17	
Revised Budget	**$3,643,191,752**		**$3,942,760,065**	

NATURAL
&
ECONOMIC RESOURCES

Section H

Agriculture and Consumer Services

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$51,041,728**		**$51,093,029**	
Legislative Changes				
Administration				
1 Eliminate Filled Position	($13,204)	R	($26,409)	R
Eliminate 1.0 filled effective December 31, 2003 when the Department starts using the Mail Service Center.	-1.00		-1.00	
Mail Clerk #12910 (1.0)				
2 Reduce Southern Dairy Compact	($20,000)	R	($20,000)	R
Reduce appropriation to the Southern Dairy Compact.				
3 Reduce Operating Support				
Reduce various operating line items.	($1,500)	NR		
4 Reduce Budget and Finance Operating Support				
Reduce various operating line items	($8,000)	NR		
Agricultural Policy & Development				
5 Reduce Operating Support				
Reduce various operating line items.	($4,000)	NR		
Agricultural Statistics				
6 Reduce Operating Support				
Reduce various operating line items.	($7,500)	NR		
Agronomic Services				
7 Eliminate Vacant Position	($46,449)	R	($46,449)	R
Eliminate 1.0 vacant position.	-1.00		-1.00	
Regional Agronomist (1.0) ($46,449)				
Aquaculture				
8 Reduce Operating Support				
Reduce various operating line items.	($2,500)	NR		

	FY 2003-04		FY 2004-05	
Emergency Programs				
9 Eliminate Vacant Position Eliminate 1.0 vacant position. Animal Health Tech I (1.0) ($42,966)	($42,966) -1.00	R	($42,966) -1.00	R
Food & Drug				
10 Eliminate Vacant Position Eliminate 1.0 vacant position. Facility Maintenance Supervisor II (1.0) ($52,451)	($52,451) -1.00	R	($52,451) -1.00	R
11 Eliminate Vacant Position Eliminate 1.0 vacant commercial fertilizer position. Chemistry Tech II (1.0) ($30,338)	($30,338) -1.00	R	($30,338) -1.00	R
12 Eliminate Vacant Position Eliminate 1.0 vacant position in the food protection section. Agricultural Microbiologist I (1.0) ($39,043)	($39,043) -1.00	R	($39,043) -1.00	R
13 Eliminate Filled Position Eliminate 1.0 filled position in the food and drug protection effective Aug. 1, 2003. Chemist II (1.0) ($68,963)	($63,214) -1.00	R	($68,963) -1.00	R
14 Reduce Pesticide Formulation Lab Support Reduce various operating line items. Phase out of work performed by this lab through a transfer of personnel to food and drug lab.	($58,421)	NR		
15 Eliminate Filled Position Eliminate 1.0 filled position in the Commercial Feed and Pet Food Analysis section effective Aug. 1, 2003. Agricultural Microbiologist II (1.0) ($55,605)	($50,971) -1.00	R	($55,605) -1.00	R
Food Distribution				
16 Eliminate Filled Position Eliminate 1.0 filled position. Stock Clerk (1.0) ($30,297)	($30,297) -1.00	R	($30,297) -1.00	R
17 Reduce Operating Support Reduce various operating line items.	($10,000)	NR		

	FY 2003-04		FY 2004-05	
Livestock				
18 Eliminate Filled Position Eliminate 1.0 filled swine position. Agricultural Marketing Specialist - Swine Grading (1.0) ($63,180)	($63,180) -1.00	R	($63,180) -1.00	
Marketing				
19 Eliminate Filled Position Eliminate 1.0 filled position. Office Assistant III (1.0) ($34,395)	($34,395) -1.00	R	($34,395) -1.00	
20 Increased Budgeted Receipts Increase budgeted receipts at the Western and Triad Farmers Markets and the Eastern Agricultural Center.	($50,000)	R	($50,000)	
21 Reduce Seafood Marketing Budget Continue cut to seafood marketing budget.	($55,000)	NR	($55,000)	NR
22 Reduce Travel Expenses Continue reduction to travel budget.	($23,000)	NR	($23,000)	NR
23 Eliminate Vacant Positions Eliminate 3.0 vacant positions. Maintenance Mechanic (1.0) ($27,979) Agricultural Commodity Inspector (1.0) ($30,581) Statistical Assistant V (1.0) ($34,332)	($92,892) -3.00	R	($92,892) -3.00	R
24 Reduce Operating Support Reduce various operating line items.	($166,430)	R	($239,875)	R
Plant Industry				
25 Shift Position to Receipt Support Shift 1.0 filled position to receipt support from the Boll Weevil Foundation. Boll Weevil Program Manager (1.0) ($54,184)	($54,184) -1.00	R	($54,184) -1.00	R
26 Eliminate Plant Protection Operating Support Eliminate operating support for the fire ant program including temporary wages, travel and supplies.	($66,157)	R	($66,157)	R
27 Reduce Plant Protection Transfer Reduce transfer to NCSU for honey bee control studies.	($13,350)	R	($13,350)	R

	FY 2003-04		FY 2004-05	
28 Eliminate Filled Position Eliminate 1.0 filled position in the seed testing section. Seed Specialist (1.0) ($51,062)	($51,062) -1.00	R	($51,062) -1.00	R
Property & Construction				
29 Eliminate Filled Position Eliminate 1.0 filled position Construction & Renovation Design Tech I (1.0) ($43,143)	($43,143) -1.00	R	($43,143) -1.00	R
30 Reduce operating support Reduce operating line item support.	($1,000)	NR		
Public Affairs				
31 Reduce Agriculture in the Classroom Reduce appropriation to the NC Farm Bureau for Agriculture in the Classroom	($61,000)	R	($61,000)	R
32 Reduce Operating Support Reduce various operating line items.	($2,500)	NR		
Research Stations				
33 Eliminate Vacant Positions Eliminate 2.0 vacant positions. Agricultural Research Assistant I(1.0) ($20,500) Research Assistant I (1.0) ($20,500)	($41,000) -2.00	R	($41,000) -2.00	R
34 Purchase Maintenance Equipment Provide equipment for maintenance of Oxford Research Complex.	$25,000	NR		
35 Provide Maintenance Personnel Provide funds for temporary labor and 1.0 position at the Oxford Research Complex. Maintenance Mechanic IV (1.0) $37,173 Temporary Labor $10,000	$37,880 1.00	R	$47,173 1.00	R
36 Provide Operating Support Provide operating support for Oxford Research Complex.	$187,185	R	$187,185	R
Reserves and Transfers				
37 Reduce Natural Gas/Propane Reserve Eliminate balance of natural gas/propane reserve.	($12,059)	NR		

	FY 2003-04		FY 2004-05	
38 Reduce Capital Improvement Reserve Reduce capital improvement reserve for Cherry Research Farm swine facility in Goldsboro.	($76,642)	NR		
39 Eliminate Laboratory Equipment Reserve Eliminate laboratory equipment reserve.	($50,000)	NR		
Structural Pest				
40 Increase Budgeted Receipts Increase budgeted receipts.	($10,000)	R	($10,000)	R
Veterinary Services				
41 Reduce Operating Support Reduce appropriations for the Robbins Diagnostics Lab.	($3,685)	R	($3,685)	R
42 Reduce Operating Support Reduce various operating line items.	($24,611) ($10,389)	R NR	($24,611)	R

	FY 2003-04		FY 2004-05	
43 Transfer Meat & Poultry Inspections	($482,019)	R	($642,692)	R
	-20.50		-20.50	

Transfer meat and poultry inspection services for 84 Taldmadge-Aiken plants to the USDA. Reduce indirect cost receipts.

Eliminate 19.0 filled positions in the Meat and Poultry Inspection Program. Total of 38.0 positions - 1/2 are state supported and 1/2 are federally supported. Positions cannot be eliminated until Sept. 2003. Eliminate 1.5 vacant positions in the Meat and Poultry Inspection Program. Total of 3.0 positions - 1/2 are state supported and 1/2 are federally supported.

Filled

Meat and Poultry Inspector II - Beaufort (.50)	($31,157)
Meat and Poultry Inspector I - Lenoir (.50)	($27,560)
Meat and Poultry Inspector II - Lenoir (.50)	($31,531)
Meat and Poultry Inspector III - Johnston (.50)	($36,892)
Meat and Poultry Inspector II - Rockingham(.50)	($30,686)
Meat and Poultry Inspector II - Cumberland(.50)	($34,582)
Meat and Poultry Inspector I - Cumberland (.50)	($31,502)
Meat and Poultry Inspector II - Nash (.50)	($31,363)
Meat and Poultry Inspector II - Wake (.50)	($30,867)
Meat and Poultry Inspector II - Hertford (.50)	($29,536)
Meat and Poultry Inspector II - Cumberland(.50)	($28,523)
Meat and Poultry Inspector II - N Hanover (.50)	($35,000)
Meat and Poultry Inspector III - Guilford (.50)	($32,866)
Meat and Poultry Inspector II - Jones (.50)	($41,585)
Meat and Poultry Inspector II - Beaufort (.50)	($30,409)
Meat and Poultry Inspector III -Cumberland(.50)	($32,720)
Meat and Poultry Inspector III - Johnston (.50)	($37,192)
Meat and Poultry Inspector III - Wake (.50)	($39,177)
Meat and Poultry Inspector II - Cabarrus (.50)	($46,972)
Meat and Poultry Inspector II - Martin (.50)	($32,816)
Meat and Poultry Inspector III - Guilford (.50)	($33,237)
Meat and Poultry Inspector I - Cumberland (.50)	($41,529)
Meat and Poultry Inspector II - Duplin (.50)	($31,913)
Meat and Poultry Inspector II - Alamance (.50)	($33,798)
Meat and Poultry Inspector III - Rowan (.50)	($42,996)
Meat and Poultry Inspector II - Wake (.50)	($42,441)
Meat and Poultry Inspector II - Cleveland (.50)	($38,134)
Meat and Poultry Inspector II - Wilson (.50)	($34,342)
Meat and Poultry Inspector II - Wilson (.50)	($32,539)
Meat and Poultry Inspector II - Alamance (.50)	($33,755)
Meat and Poultry Inspector II - Alamance (.50)	($31,546)
Meat and Poultry Inspector II - Harnett (.50)	($33,755)
Meat and Poultry Inspector II - Mecklenburg(.50)	($33,923)
Meat and Poultry Inspector II - Alexander(.50)	($32,263)
Meat and Poultry Inspector III - Pender (.50)	($37,146)
Meat and Poultry Inspector II - Guilford (.50)	($34,045)
Meat and Poultry Inspector II - Stanley (.50)	($35,483)

Vacant

Meat and Poultry Inspector I - Cumberland(.50)	($31,115)
Meat and Poultry Inspector III - Martin (.50)	($32,405)
Veterinarian (.50)	($55,000)

	FY 2003-04		FY 2004-05	
Weights & Measures				
44 Eliminate Vacant Positions	($71,068)	R	($71,068)	R
Eliminate 2.0 vacant positions.				
	-2.00		-2.00	
Liquefied Gas Inspector (1.0) ($33,034)				
Long Distance Truck Driver (1.0) ($38,034)				
45 Shift Position to Receipt Support	($37,416)	R	($37,416)	R
Shift 1.0 position to Highway Fund receipt support.				
	-1.00		-1.00	
Standards Inspector II (1.0) ($37,416)				
Total Legislative Changes	**($1,529,460)**	R	**($1,777,873)**	R
	($297,511)	NR	**($78,000)**	NR
Total Position Changes	-41.50		-41.50	
Revised Budget	**$49,214,757**		**$49,237,156**	

Labor

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$13,936,595		$13,945,245	
Legislative Changes				
Administration				
46 Reduce Operating; Increase Indirect Cost Receipts Reduce various operating line items and increase budgeted indirect cost receipts.	($74,000)	R	($74,000)	R
47 Reduce Operating Support Reduce funds in general cost categories.	($9,599)	R	($9,599)	R
Agricultural Safety and Health				
48 Reduce Travel and Office Supplies. Reduce funding for travel and office supplies.	($10,000)	R	($10,000)	R
Apprenticeship				
49 Reduce Operating Support Reduce various operating line items.	($20,453)	R	($20,453)	R
Bureau of Labor Statistics				
50 Eliminate 1.0 Vacant Position and Reduce Operating Reduce various operating line items and eliminate 1.0 vacant position. Data Control Clerk III (1.0)	($17,389) -1.00	R	($17,389) -1.00	R
Department-Wide				
51 Eliminate Inflationary Increases Eliminate all allowable inflationary increases.	($35,976)	R	($35,976)	R
Employment Discrimination				
52 Reduce Postage Budget Reduce postage budget.	($2,000)	R	($2,000)	R

	FY 2003-04		FY 2004-05	
Information Office				
53 Increase Budgeted Indirect Cost Receipts Increase budgeted indirect cost receipts.	($25,000)	R	($25,000)	R
Information Technology				
54 Reduce Software Maintenance Costs Reduce maintenance costs associated with software and increase budgeted indirect cost receipts.	($35,000)	R	($35,000)	R
Mine and Quarry				
55 Reduce Operating Support Reduce funds in general cost categories.	($11,000)	R	($11,000)	R
Occupational Safety and Health				
56 Reduce Operating Support Reduce travel, rents, general office supplies, and communications funding.	($307,208)	R	($307,208)	R
57 Reduce Contractual Obligations Reduce funding for contractual obligations for hearings examiners.	($5,468)	R	($5,468)	R
Wage and Hour				
58 Eliminate 3.0 Vacant Positions. Eliminate 3.0 vacant positions.	($118,501)	R	($118,501)	R
Wage and Hour Investigators (2.0) Public Information Assistant IV (1.0)	-3.00		-3.00	
Total Legislative Changes	**($671,594)**	R	**($671,594)**	R
Total Position Changes	-4.00		-4.00	
Revised Budget	**$13,265,001**		**$13,273,651**	

Environment & Natural Resources

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$153,070,901**		**$157,263,823**	
Legislative Changes				
Administration and Regional Offices				
59 Eliminate Vacant Positions	($85,361)	R	($85,361)	R
Eliminate 1.0 vacant position in the Office of Public Affairs and 1.0 vacant position in the Regional Offices.	-2.00		-2.00	
Office Assistant ($36,824)				
Information and Communications Specialist ($48,537)				
60 Reduce Operating Support	($8,272)	R	($8,272)	R
Reduce various operating line items for Wetlands Restoration Program.				
Aquariums				
61 Shift Operating Costs to Receipt Support	($340,179)	R	($340,179)	R
Shift electrical services, water and sewer to receipt support.				
Coastal Management				
62 Eliminate Filled Position	($30,400)	R	($30,400)	R
Eliminate 1.0 filled position.	-1.00		-1.00	
Processing Assistant V ($30,400)				
63 Shift Position to Receipt Support	($32,741)	R	($32,741)	R
Shift 1.0 position to receipt support.	-1.00		-1.00	
Program Assistant V ($32,741)				
64 Reduce Board Operating Support	($11,920)	R	($11,920)	R
Reduce operating support for Coastal Management Board.				
Compensation to Board Members ($2,500)				
Board travel and subsistence ($9,420)				
65 Reduce Planning Grant Funds	($73,481)	R	($73,481)	R
Reduce appropriation for land use planning grants.				
66 Reduce Operating Support for Buckridge Reserve	($15,000)	R	($15,000)	R
Reduce various operating line items for Buckridge Reserve.				

	FY 2003-04		FY 2004-05	
67 Fund Shift Position to Federal Grants Fund shift 1.0 position to federal grants. Environmental Supervisor III (0.5) ($37,517) Environmental Supervisor I (0.5) ($27,326)	($64,843) -1.00	R	($64,843) -1.00	R
Environmental Health				
68 Eliminate Filled Position Eliminate 1.0 filled position Regional Supervisor 1 ($74,685)	($74,685) -1.00	R	($74,685) -1.00	R
Forest Resources				
69 Reduce Operating Support Reduce operating line items. Aerial Photography ($32,800) Other ($184,649)	($217,449)	R	($217,449)	R
70 Reduce Equipment/Vehicles Reduce funding for equipment and vehicles.	($1,520,287)	NR		
71 Reduce Holiday, Temporary, and Seasonal Pay Reduce holiday, temporary, and seasonal pay.	($31,544)	NR		
72 Reduce Forest Development Program Reduce funds for Forest Development Program.	($200,000)	R	($200,000)	R
73 Shift Bladen Lake Operating Support to Receipts Shift various Bladen Lake operating line items to receipt support.	($100,000)	NR		
Land Resources				
74 Reduce Computer/Data Processing Reduce computer/data processing funds.	($34,741)	R	($34,741)	R
75 Reduce Aid to Counties Reduce aid to counties.	($50,000)	R	($50,000)	R
76 Reduce Operating Support Reduce various operating line items.	($100,813)	R	($100,813)	R

	FY 2003-04		FY 2004-05	
77 Shift Positions to Receipt Support Shift 1.75 Geodetic Survey Technician positions to federal funds. Geodetic Survey Technician (1.00) ($30,611) Geodetuc Survey Technician (0.75) ($22,936)	($53,547) -1.75	R	($53,547) -1.75	R
78 Reduce Contracted Services Reduce funds for Geodetic Survey contracted services.	($57,710)	R	($57,710)	R
Parks and Recreation				
79 Establish Vehicle Access Fee at Ft. Fisher Establish a vehicle access fee at Ft. Fisher.	($36,857)	R	($36,857)	R
Pollution Prevention				
80 Shift Position to Receipt Support Shift 0.4 position to grant support.	($19,377) -0.40	R	($19,377) -0.40	R
81 Shift Positions to Solid Waste Trust Fund Shift 1.46 positions to Solid Waste Trust Fund. Position #29025 (1.00) ($44,861) Position #29028 (0.46) ($22,119)	($66,980) -1.46	R	($66,980) -1.46	R
82 Reduce Operating Support Reduce various operating line items.	($66,747)	R	($66,747)	R
Soil and Water				
83 Eliminate Animal Waste Cost Share Program Eliminate funding for Animal Waste Cost Share program.	($117,500)	NR		
84 Reduce Ag Cost Share Program Reduce funds for Ag Cost Share Program.	($753,290)	NR		
85 Eliminate Vacant Positions Eliminate 2.0 vacant positions. Soils Survey Supervisor (1.0) ($49,622) Soil & Water Cons. Regional Coordinator (1.0) ($41,749)	($91,371) -2.00	R	($91,371) -2.00	R
86 Shift Position to Clean Water Management Trust Shift Program Assistant IV position to the Clean Water Management Trust Fund.	($27,709) -1.00	R	($27,709) -1.00	R

	FY 2003-04		FY 2004-05	
87 Reduce District Matching Funds Reduce Soil and Water Conservation District matching funds.	($44,000)	R	($44,000)	R
88 Reduce Operating Support Reduce various operating line items.	($57,788)	R	($57,788)	R
Special Funds				
89 Reduce Water Quality Workgroup Reduce appropriation to Water Quality Workgroup by 53%.	($100,000)	R	($100,000)	R
90 Eliminate Transfer to Wildlife Commission Eliminate appropriation to Wildlife Commission.	($905,481)	R	($905,481)	R
91 Reduce Grassroots Science Programs Reduce appropriation to Grassroots Science Programs by 7%.	($196,123)	R	($196,123)	R
92 Reduce Partnership for the Sounds Reduce appropriation for the Partnership for the Sounds by 7%.	($32,514)	R	($32,514)	R
Waste Management				
93 Fund Shift Positions to Grants Fund shift 2.0 positions to grants.	($110,537)	R	($110,537)	R
	-2.00		-2.00	
Waste Management Specialist (1.0) ($48,943) Environmental Supervisor (1.0) ($61,594)				
Zoo				
94 Eliminate Vacant Position Eliminate Facility Maintenance Manager II.	($50,768)	R	($50,768)	R
	-1.00		-1.00	
95 Shift Positions to Receipt Support Shift 6.50 positions to receipt support.	($196,730)	R	($196,730)	R
	-6.50		-6.50	
Zoo Tram System Supervisor (1.0) ($30,561) Zoo Security Chief (1.0) ($32,974) Housekeeping Supervisor III (1.0) ($28,971) Supply Store Manager I (1.0) ($39,262) Office Assistant IV (1.0) ($22,607) Housekeeping Team Leader (1.0) ($22,607) Housekeeper (0.5) ($11,442)				
96 Reduce Operating Support Reduce various operating line items.	($356,737)	R	($356,737)	R

House Subcommittee on Natural and Economic Resources	FY 2003-04		FY 2004-05	
97 Reduce Workers' Compensation Reduce workers' compensation.	($400,000)	R	($400,000)	R
Total Legislative Changes	**($4,210,861)** **($2,522,621)**	R NR	**($4,210,861)**	R
Total Position Changes	-22.11		-22.11	
Revised Budget	**$146,337,419**		**$153,052,962**	

Environment & Natural Resources - Clean Water Management Trust Fund

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$100,000,000**		**$100,000,000**	
Legislative Changes				
Clean Water Management Trust Fund				
98 Reduce Clean Water Management Trust Fund				
Reduce funds to the Clean Water Management Trust Fund by 75%.	($75,000,000)	NR	($75,000,000)	NR
Total Legislative Changes	**($75,000,000)**	**NR**	**($75,000,000)**	**NR**
Total Position Changes				
Revised Budget	**$25,000,000**		**$25,000,000**	

Commerce

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$35,569,253**		**$34,639,574**	
Legislative Changes				
Industrial Commission				
99 Budget Over-Realized Receipts Budget over-realized receipts from compromised settlement agreement fees, and reduce General Fund appropriation by an equal amount.	($519,325)	R	($519,325)	R
Industrial Financing				
100 Reduce Industrial Development Fund Cash Balance Reduce the cash balance of the Industrial Development Fund.	($1,169,438)	NR		
101 Reduce Transfer to Industrial Development Fund Reduce appropriation to the Industrial Development Fund.	($500,000)	R	($500,000)	R
Management Information Services				
102 Reduce Computer Hardware Purchases Reduce new and replacement computer hardware purchases.	($74,480)	R	($74,480)	R
Marketing and Consumer Services				
103 Reduce Operating Support Reduce advertising line item.	($300,000)	R	($300,000)	R
Science and Technology				
104 Reduce Operating Support Reduce various operating line items.	($50,000)	R	($50,000)	R
Wanchese Seafood Industrial Park				
105 Reduce Operating Support Reduce various operating line items.	($30,282)	R	($30,282)	R

	FY 2003-04		FY 2004-05	
Total Legislative Changes	($1,474,087)	R	($1,474,087)	R
	($1,169,438)	NR		
Total Position Changes				
Revised Budget	$32,925,728		$33,165,487	

Commerce - State Aid

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$10,266,728**		**$10,266,728**	
Legislative Changes				
Institute of Minority Economic Development				
106 Reduce Institute of Minority Economic Development Reduce General Fund appropriation for the Institute of Minority Economic Development by 5%.	($67,380)	R	($67,380)	R
Land Loss Prevention Project				
107 Reduce Land Loss Prevention Project Reduce General Fund appropriation for the Land Loss Prevention Project by 5%.	($20,214)	R	($20,214)	R
Minority Support Center				
108 Reduce Minority Support Center Reduce General Fund appropriation for the Minority Support Center by 5%.	($26,952)	R	($26,952)	R
N.C. Association of CDCs				
109 Reduce N.C. Association of CDCs Reduce General Fund appropriation to N.C. Association of CDCs by 5%.	($17,968)	R	($17,968)	R
N.C. Community Development Initiative				
110 Reduce N.C. Community Development Initiative Reduce the General Fund appropriation to the N.C. Community Development Initiative by 5%.	($89,840)	R	($89,840)	R
Regional Economic Development Commissions				
111 Increase funding to the Partnerships. Increase funds to the Partnerships to return to 2000-2001 funding level.	$955,357	R	$955,357	R
Total Legislative Changes	**$733,003**	R	**$733,003**	R
Total Position Changes				
Revised Budget	**$10,999,731**		**$10,999,731**	

Rural Economic Development Center

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$4,658,607**		**$4,658,607**	
Legislative Changes				
Rural Economic Development Center				
112 Reduce Rural Economic Development Center Reduce General Fund appropriation to the Rural Economic Development Center by 5%.	($232,930)	R	($232,930)	R
Total Legislative Changes	**($232,930)**	R	**($232,930)**	R
Total Position Changes				
Revised Budget	**$4,425,677**		**$4,425,677**	

JUSTICE
&
PUBLIC SAFETY

Section I

Judicial

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$310,319,781**		**$314,116,595**	
Legislative Changes				
1 Reduce Line Items Take $3.4 million in non-recurring cuts from salary and non-salary line items to replace $3.4 million negative funding reserves in Governor's budget.	($3,400,000)	NR		
2 Reduction in Salary Reserve The accumulated balance in salary reserve is reduced by $1.5 million. This replaces a $1.5 million recurring negative reserve in the Governor's budget.	($1,500,000)	R	($1,500,000)	R
3 Position Reductions The AOC will identify $1 million in personnel and related operational expenses (e.g. travel, training) from eliminating administrative positions throughout the Judicial Department. The Governor recommended $500,000 from operational savings and a review of internal operations.	($1,000,000)	R	($1,000,000)	R
4 Reduce Specialized Court Programs Reductions reflect priorities set by judicial officials and protects core operations of the Judicial Branch relating to families and children. Arbitration -- $886,101 Drug Treatment Court -- $69,000 District Ct. Med. Settlement -- $10,000 Mecklenburg Drug Court -- $15,379 Guardian ad Litem -- $56,000	($1,036,480)	R	($1,036,480)	R
5 Reduction in Dispute Settlement Centers The budget for dispute settlement centers is reduced by 8.2%. The Governor recommended elimination of this funding ($1,603,124).	($131,418)	R	($131,418)	R
Total Legislative Changes	**($3,667,898)** **($3,400,000)**	R NR	**($3,667,898)**	R
Total Position Changes				
Revised Budget	**$303,251,883**		**$310,448,697**	

Judicial - Indigent Defense

	FY 2003-04		FY 2004-05	
Recommended Budget	**$75,049,607**		**$73,116,571**	
Legislative Changes				
6 IDS Increase Recoupment Receipts Governor's recommendation: The Office of Indigent Defense Services will target high-volume counties, and seek to raise recoupments rates to 10%, thereby increasing receipts.	($401,000)	R	($401,000)	R
7 Reduce State Bar Aid Eliminates appropriation to State Bar for pass-through funds for the Center for Death Penalty Litigation.	($590,000)	R	($590,000)	R
8 Reduce Sentencing Services Reduce Sentencing Services program by 8.2%. This replaces part of a $1.6 million negative reserve in the Governor's budget.	($296,699)	R	($296,699)	R
9 Reduce Continuation Growth Reduces continuation increase in Indigent Persons Attorney Fee fund by $1.1 million. This is to replace part of a $1.6 million negative reserve in the Governor's budget.	($1,183,778)	R	($1,183,778)	R
Total Legislative Changes	**($2,471,477)**	R	**($2,471,477)**	R
Total Position Changes				
Revised Budget	**$72,578,130**		**$70,645,094**	

Justice

	GENERAL FUND	
	FY 2003-04	FY 2004-05
Recommended Budget	**$73,508,002**	**$73,574,376**

Legislative Changes

10 Operational Savings				
Governor's recommendation. The Department will identify additional operating reductions on a nonrecurring basis.	($750,000)	NR	$0	NR
11 Supplies and Equipment				
Governor's recommendation. Continues the nonrecurring reduction in 2002-03 for another year.	($523,500)	NR	$0	NR
12 Eliminate Positions	($840,818)	R	($840,818)	R
The Governor recommended eliminating 16 vacant positions in Legal Services, the SBI, and Training Academies for a total of $630,818. An additional 5 positions are eliminated in this item for an additional $210,000, with less than one half of the total position reductions to be taken from the SBI. At least one of the positions shall be taken from the Citizen's Rights, Consumer Protection, or related divisions (there are 4 vacant positions in those divisions).	-21.00		-21.00	
13 Mainframe Migration	($618,071)	R	($1,175,964)	R
The Law Enforcement System Migration Project will be completed in FY 2003-04, providing savings from various information technology accounts. This reduction would leave $789,929 in 03-04 to be used for remaining migration projects, AFIS software maintenance, and mobile data network telecommunications charges. $664,983 would be available in 04-05 for AFIS software maintenance and mobile data network telecommunications charges due to migration completion and savings from migration to the new environment. The Governor recommended a reduction of $326,871 in 03-04 and $781,100 in 04-05.				
14 NC LEAF reduction				
Non-recurring 10% reduction to NC LEAF.	($20,000)	NR		
15 Non-salary line items				
Reductions to supplies and purchased services line items to be taken on a nonrecurring basis.	($100,000)	NR		

	FY 2003-04		FY 2004-05	
Law Enforcement - SBI				
16 SBI Auto Replacement Reduce the SBI budget for vehicle replacement. The Department may identify receipts to purchase replacement vehicles. Governor recommended $264,535 R.	($264,535) ($200,000)	R NR	($264,535)	R
17 SBI Lab Equipment Governor's recommendation. Reduce the continuation budget for lab equipment. The Department may use federal grant funds for equipment replacement.	($500,000)	R	($500,000)	R
18 Expand SBI Lab Molecular Genetics Section Governor recommended: Add six Forensic Molecular Geneticist I positions and related expenditures to the SBI lab, effective Jan. 1, 2004, to increase the lab's capacity for DNA testing ($134,572 R). This item has instead an effective date of Apr. 1, 2004. The Department is directed to study and report on options for increasing the efficiency of the available lab space by increasing its hours of operation. The positions and related expenditures are authorized only if resources for additional lab space are identified or if the Department's report identifies efficiencies that will make adequate space available. The following items are effective only if legislation authorizing the expansion of the DNA database to all convicted felons is ratified (effective Dec. 1): An additional 5 positions are appropriated - 2 Forensic Molecular Geneticists Is, 2 Evidence Control Technicians, and 1 Computer Analyst, plus supplies and equipment. $500,000 (NR) is appropriated for the SBI to renovate storage space, and $25,000 is appropriated for the SBI to lease storage space to replace the lost space.	$341,174 $641,058 11.00	R NR	$666,253 11.00	R
Total Legislative Changes	**($1,882,250)** **($952,442)**	R NR	**($2,115,064)** **$0**	R NR
Total Position Changes	-10.00		-10.00	
Revised Budget	**$70,673,310**		**$71,459,312**	

Juvenile Justice & Delinquency Prevention

GENERAL FUND0

	FY 2003-04		FY 2004-05	
Recommended Budget	**$135,679,902**		**$138,675,409**	

Legislative Changes

19 Personnel Related Expenses and Fringe Benefits ($884,752) R ($884,752) R

Governor's Recommendation: reduce the continuation budget for various accounts including social security, longevity, holiday and shift premium pay, and disability.

20 Motor Vehicles ($113,991) R ($113,991) R

Governor's recommendation: reduce the continuation budget for motor vehicles.

21 Equipment and Maintenance ($165,000) R ($115,000) R

Governor's recommendation: reduce the continuation budget for equipment and software maintenance by $165,000 in FY 2003-04 and by $115,000 in FY 2004-05.

22 Medical Services ($336,223) R ($336,223) R

Governor's recommendation: reduce the continuation budget for medical and hospital services and for employee physicals by $336,223 R.

23 Reduce Population Increases ($2,145,000) R ($4,700,000) R

Governor's recommendation: reduce budgeted increases in the continuation funding for the following programs:

	2003-04	2004-05
Community Beds	(600,000)	(150,000)
Eckerd Camps	(250,000)	(500,000)
Sex Offender Beds	(500,000)	(150,000)
JCPC	(350,000)	(500,000)
Total Appropriation	(1,700,000)	(1,300,000)

Adjust continuation budget increases for the following to maintain program budgets at the FY 2002-03 level and provide $500,000 additional funding to JCPC formula grants for counties:

	2003-04	2004-05
Community Beds	(700,000)	(1,400,000)
Eckerd Camps	(450,000)	(900,000)
Sex Offender Beds	(670,000)	(1,400,000)
JCPC	(325,000)	(1,000,000)
Total Appropriation	(2,145,000)	(4,700,000)

	FY 2003-04		FY 2004-05	
Detention Center Services				
24 Detention Subsidy Payments Governor's recommendation: reduce continuation budget for detention subsidy payments to the four county operated detention centers.	($375,000)	R	($375,000)	R
25 Detention Center Receipts Governor's recommendation: budget additional receipts to offset general fund appropriations	($100,000)	R	($300,000)	R
26 Budget Prior Year Receipts Governor's recommendation: budget, on a one-time basis, projected funds to be returned from JCPC's and other sources.	($199,272)	NR		
Intervention/Prevention				
27 Funding of Nonprofits/Programs Governor's recommendation: reduce the continuation budget for pass through funding to the following nonprofits/programs:	($543,559)	R	($841,313)	R
28 Eliminate Funding for Camp Woodson East/Red Wolf In 2000, the General Assembly authorized the establishment of Camp Woodson East, effective October 1, 2000, and three additional positions at Camp Woodson West for a total budget of $590,748 R and 24.0 positions. While the three positions were filled at Camp Woodson West, Camp Woodson East has never opened. Therefore, the funds budgeted for Woodson East are eliminated.	($503,632) -21.00	R	($503,632) -21.00	R
Total Legislative Changes	**($5,167,157)** **($199,272)**	R NR	**($8,169,911)**	R
Total Position Changes	-21.00		-21.00	
Revised Budget	**$130,313,473**		**$130,505,498**	

	2003-04	2004-05
Governor's One-on-One	(175,402)	(239,132)
Support Our Students	(206,895)	(421,032)
Juvenile Assessment Center	(5,250)	(5,250)
Communities in Schools	(12,162)	(12,162)
Boys and Girls Clubs	(14,000)	(28,490)
Project Challenge	(34,200)	(39,597)
Methodist Group Home	(95,650)	(95,650)
Total Appropriation	(543,559)	(841,313)

Correction

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$985,276,327**		**$991,226,311**	
Legislative Changes				
Community Corrections				
29 Reduce Overtime Budget DCC has reduced expenditures for overtime well below the authorized budget of $1.1 million. The overtime budget is reduced to more closely reflect actual expenditures.	($500,000)	R	($610,404)	R
30 Eliminate Probation/Parole positions 26 vacant PPO I positions are eliminated. $1.5 million is retained to upgrade 28 PPO I positions to PPO II's. This will result in the following caseload averages by June 30, 2004: PPO I: 100:1 PPO II: 61:1 PPO III: 26:1	($734,297) -26.00	R	($734,297) -26.00	R
Department-wide				
31 Personnel Related Expenses Governor's recommendation: reduce the continuation budget for various accounts, including longevity, overtime, holiday, shift, and call back pay, worker's compensation, and unemployment compensation.	($11,976,344)	R	($12,683,987)	R
32 Motor Vehicles--Special Purpose Governor's recommendation: reduce the continuation budget for special purpose motor vehicles	($224,500)	R	($119,000)	R
33 Computer/Data Processing Service Governor's recommendation: reduce the continuation budget for ITS services	($1,657,108)	R	($1,657,108)	R
34 Salary Related Fringe Benefits Governor's recommendation: reduce the continuation budget for social security, retirement, and health benefit increases.	($882,395)	R	($957,972)	R
35 Reduce DOC Management Positions Governor's recommendation: eliminate three (3) DOC management positions as a result of departmental reorganization	($298,973) -3.00	R	($298,973) -3.00	R
36 Reduce Vehicle Replacement Funds A portion of the vehicle replacement budget is reduced for one year. A total of $4,450,000 remains in the budget	($450,000)	NR		

	FY 2003-04		FY 2004-05	
37 Reduce Non-Salary line Items				
In 2002-03, the General Assembly required DOC to implement a $17.9 million one-time cut in various non-salary line items. The Governor's budget restored all $17.9 million. A reduction in non-salary line items at the $10 million level is continued for one more year.	($10,000,000)	NR		
Parole Commission				
38 Eliminate positions	($78,200)	R	($78,200)	R
Two positions in the Parole Commission are eliminated due to decreasing caseloads.	-2.00		-2.00	
Prisons				
39 Medical Services	($5,546,363)	R	($5,546,363)	R
Reduce a portion of the continuation budget increase for medical services. The Governor recommended a reduction of ($7,656,409)				
40 Cap Rate Charged by UNC Hospital				
The rate charged by UNC Hospital for inmate medical care is capped at the Medicaid rate for 2003-04.	($1,200,000)	NR		
41 Correctional Officer Incentives	($5,205,871)	R	($5,205,871)	R
Governor's recommendation: reduce the continuation budget for weekend shift-pay incentives.				
42 Reduce Contract rate for Mobile Surgery lab	($277,500)	R	($277,500)	R
DOC contracts with vendor for a mobile surgery lab at Central Prison at a cost of $967,500 annually. The contract is reduced to reflect actual usage.				
43 Prison Reserves	($150,000)	R	($150,000)	R
The non-salary line item budget is approximately $6.2 million for each new prison. It is recommended that $50,000 per prison be reduced in such areas as travel, supplies and equipment.				
44 Reduce Staffing at New Prisons	($560,849)	R	($611,835)	R
Each new prison is staffed with 260 correctional officers. It is recommended that seven correctional officer positions be eliminated from each prison for a total of 21. These positions are primarily activity and utility posts that are not required on the evening and night shift when activity is lowest.	-21.00		-21.00	
45 Overtime Pay	($2,500,000)	R	($2,500,000)	R
The DOC has implemented management controls that have reduced overtime expenditures for correctional officers. Expenditures in 02-03 are projected to be well below the authorized 02-03 budget of $8.9 million, the same amount recommended for FY 03-04 and 04-05 . It is recommended that the overtime budget be reduced to more closely reflect actual expenditures	($2,500,000)	NR		

	FY 2003-04		FY 2004-05	
46 Expand DNA Collection	$234,981	R	$326,648	R
The following items are effective only if legislation authorizing the expansion of the DNA database to all convicted felons is ratified (effective Dec. 1):	$71,167	NR	$50,833	NR
	9.00		9.00	
7 Correctional Officer positions are added to the Division of Prisons for the purpose of staffing a new post at each felony diagnostic center to maintain chain of custody of DNA samples taken from convicted offenders entering prison. An additional 2 Correctional Officer positions are established on a time-limited basis for one year (Dec. 1, 2003 - Nov. 30, 2004) to maintain chain of custody of DNA samples taken from incarcerated felons. $62,000 is appropriated for one year (Dec. 1, 2003 - Nov. 30, 2004) to increase the duties performed by contract phlebotomists to include obtaining DNA samples from all convicted felons.				
Total Legislative Changes	**($30,357,419)**	**R**	**($31,104,862)**	**R**
	($14,078,833)	**NR**	**$50,833**	**NR**
Total Position Changes	-43.00		-43.00	
Revised Budget	**$940,840,075**		**$960,172,282**	

Crime Control and Public Safety

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$28,706,140**		**$28,785,824**	
Legislative Changes				
Alcohol Law Enforcement				
47 ALE Office Leases Due to the consolidation and closure of three ALE offices, the continuation budget increase for ALE leases is eliminated.	($29,447)	R	($29,447)	R
Emergency Management				
48 Floodplain Mapping Governor's recommendation: Convert one position from appropriation to receipt-supported.	($92,367)	R	($92,367)	R
Governor's Crime Commission				
49 Eliminate Roanoke-Chowan Drug Task Force Funding Governor's recommendation: eliminate remaining funds in the continuation budget for the drug task force.	($125,000)	R	($125,000)	R
National Guard				
50 Caldwell County Armory Funds are provided for the design and construction of a new armory facility in Caldwell County. The existing armory facilities have flooded 45 to 50 times since November 1977. According to the terms of a flood mitigation grant awarded by FEMA, the existing armory and maintenance shop must be demolished. The federal government is providing 75 percent of the funds, while Caldwell County and the State must each provide 12.5 percent in matching funds. The State match requirement is $975,000.	$975,000	NR		
Victim & Justice Services				
51 Victims' Compensation Fund Governor's recommendation: reduce the continuation budget for victims' compensation by $400,000. During the 2002 Short Session, an additional $2,500,000 was appropriated to the Victims' Compensation Program. Because of this increase in state funding, additional federal funds of approximately $1 million will be available to offset this recommended reduction.	($400,000)	R	($400,000)	R

	FY 2003-04		FY 2004-05	
Total Legislative Changes	($646,814)	R	($646,814)	R
	$975,000	NR		
Total Position Changes				
Revised Budget	$29,034,326		$28,139,010	

GENERAL GOVERNMENT

Section J

Administration

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$56,925,133**		**$57,503,556**	
Legislative Changes				
1280 Mail Service Center				
1 Transfer to Receipt-Support	($455,325)	R	($455,325)	R
Eliminates the appropriation for the Mail Service Center, thereby making the operation totally receipt-supported.	-16.42		-16.42	
1311 Office of State Personnel				
2 Personnel and Operating Budget Reductions	($353,330)	R	($353,366)	R
Eliminate eight vacant positions and related fringe benefits, and allowable inflationary items per the Governor's recommended budget adjustments:	-8.00		-8.00	

Positions
Office Assistant III-#4000-0300-000-350 - (24,912)
Personnel Assistant IV-#4000-0300-0004-370 - (25,707)
HR Partner-#4000-1200-0004-482 - (43,885)
HR Partner-#4000-0100-0004-600 - (43,885)
HR Partner-#4000-0600-0004-623 - (43,885)
HR Partner-#4000-0500-0004-627 - (43,885)
HR Partner-#4000-0500-0004-982 - (43,885)
HR Partner-#4000-0500-0004-626 - (43,885)

	FY 03-04	FY 04-05
531211 Salaries	(262,434)	(262,434)
531416 Longevity	(30,896)	(30,896)
531511 Social Security	(22,440)	(22,440)
531521 Retirement	(8,889)	(8,889)
531561 Medical Ins Cont.	(23,464)	(23,464)
533600 Supplies	(5,207)	(5,243)

	FY 2003-04		FY 2004-05	
Department-wide				
3 Reduce Inflationary Increases Reduces the inflationary increases that were included for the following accounts in the Governor's recommended continuation budget.	($382,634)	R	($382,634)	R
531461 EPA & SPA Longevity Pay	($59,814)			
531511 Social Security Contr.	($4,584)			
531521 Retirement Contr.	($1,820)			
532210 Energy Service - Electrical	($149,636)			
532220 Energy Service - Natural Gas/Propane	($36,880)			
532230 Energy Service - Water & Sewer	($8,604)			
532241 Energy Service - Fuel Oil	($56,307)			
532512 Rent/Lease - Buildings/Offices	($21,676)			
533310 Gasoline	($12,825)			
533320 Diesel Fuel	($254)			
533510 Clothing & Uniforms	($14,127)			
533690 Other Drugs / Pharmacy Supplies	($107)			
534541 Autos, Trucks, & Buses	($16,000)			
Total Legislative Changes	**($1,191,289)**	R	**($1,191,325)**	R
Total Position Changes	-24.42		-24.42	
Revised Budget	**$55,733,844**		**$56,312,231**	

Auditor

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$10,847,686		$10,857,642	
Legislative Changes				
1110 Administration				
4 Continuation Budget Reductions Eliminates all increases that were included in the 2003-05 continuation budget per the Governor's recommendation. 531461 EPA & SPA Longevity FY 03-04 ($6,919) FY 04-05 ($6,919) 531511 Social Security Cont. FY 03-04 ($3,211) FY 04-05 ($3,211)	($10,130)	R	($10,130)	R
1210 Field Audit Division				
5 Continuation Budget Reductions Eliminates all increases that were included in the 2003-05 continuation budget, except those funded with receipts, per the Governor's recommendation. 531461 EPA & SPA Longevity FY 03-04 ($23,410) FY 04-05 ($33,317) 532200 Utility/Energy FY 03-04 ($48) FY 04-05 ($97) 532500 Rentals/Leases FY 03-04 ($11,453) FY 04-05 ($11,453)	($34,911)	R	($44,867)	R
6 Smart Start Audits Reduces the contractual services funding for Smart Start audits as recommended by the Governor. Currently Smart Start audits are performed annually. It is recommended that this cycle be changed to every two years, except for those under performing programs, which would still be audited annually.	($326,699)	R	($326,699)	R
7 Over-realized Receipts Reduces the General Fund appropriation for field audits. The Department has over-realized its budgeted receipts for audit work related to the Single Audit and CAFR. Increasing budgeted receipts in accounts 538301 and 538302 will result in a reduction in the required General Fund appropriation.	($61,831)	R	($61,831)	R
8 Financial/Audit Services Reduces the operating requirements for financial/audit services (account 532120) as recommended by the Governor.	($6,655)	R	($6,655)	R
9 Vacant Position Elimination Eliminates the salaries and benefits for the following three vacant audit positions as recommended by the Governor. Asst. State Auditor III - 3300-0000-0000-212 ($60,431) Asst. State Auditor II - 3300-0000-0000-254 ($50,330) Asst. State Auditor II - 3300-0000-0000-278 ($53,228)	($163,989) -3.00	R	($163,989) -3.00	R

	FY 2003-04		FY 2004-05	
Total Legislative Changes	**($604,215)**	**R**	**($614,171)**	**R**
Total Position Changes	-3.00		-3.00	
Revised Budget	**$10,243,471**		**$10,243,471**	

Cultural Resources

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$54,627,586		$54,337,128	

Legislative Changes

1110 Office of the Secretary

10 Personnel Reduction ($19,954) R ($21,982) R

Eliminate salary and related fringe benefits for a vacant .30 FTE Information and Communication Specialist II position (#4801-0100-0001-041), and the following expenditure accounts per the Governor's recommended budget adjustments: -0.30 -0.30

	FY 03-04	FY 04-05
531461 Longevity	(80)	(2,049)
531511 Social Security Cont.	(6,162)	(6,162)
531521 Retirement	(3)	(62)
531561 Medical Ins Cont.	(2,170)	(2,170)

1120 Administrative Services

11 Operating Budget Reduction ($128) R ($128) R

Reduce funds for medical insurance contribution (531461) each fiscal year per the Governor's recommended budget adjustments.

1210 Historical Resources Administration

12 Personnel and Operating Budget Reductions ($30,327) R ($30,473) R

Eliminate salary and related fringe benefits of $30,188 for a vacant Office Assistant IV position (4802-0100-0002-021), and reduce funds for utilities per the Governor's recommended budget adjustments: -1.00 -1.00

	FY 03-04	FY 04-05
532210 Electrical	(132)	(270)
532230 Water & Sewer	(7)	(15)

1220 Scholarly Publications

13 Operating Budget Reductions ($1,499) R ($1,499) R

Reduce funds for medical insurance contribution (531461) and retirement (531521) each fiscal year per the Governor's recommended budget adjustments.

	FY 2003-04		FY 2004-05	
1230 Archives and Records				
14 Personnel and Operating Budget Reductions	($147,882)	R	($150,768)	R
Eliminate salary and related fringe benefits of four vacant positions and reduce the following expenditure accounts per the Governor's and subcommitte's recommended budget adjustments:	-4.00		-4.00	

Positions
Administrative Asst. I-#4802-0302-0002-115 - ($27,519)
Archivist III-#4802-0302-0002-128 - ($31,940)
Records Mgmt. Analy II-#4802-0304-0002-202 - ($31,089)
Processing Asst. III-#4802-0304-0002-224 - ($20,672)

	FY 03-04	FY 04-05
531211 Salaries	(111,220)	(111,220)
531461 Longevity	(12,533)	(15,196)
531511 Social Security Cont.	(8,508)	(8,508)
531521 Retirement	(3,750)	(3,831)
531561 Medical Ins Cont.	(11,732)	(11,732)
532210 Electrical	(29)	(58)
532220 Natural Gas/Propane	(63)	(128)
532230 Water & Sewer	(47)	(95)

	FY 2003-04		FY 2004-05	
1241 State Historic Sites				
15 Personnel and Operating Budget Reductions	($430,547)	R	($372,198)	R
Eliminate salary and fringe benefits for the following seven (7) vacant positions, and reduce expenditure accounts per the Governor's recommended budget adjustment, and the additional reductions approved by the subcommittee:	-7.00		-7.00	

Positions
Hist. Interpreter I-#4802-0419-0002-457 - ($21,343)
Hist. Sites Spec. I-#4802-0401-002-305, eff. 9/1/03 - ($28,857)/($34,629)
Hist. Interpreter I-#4802-0417-0002-437 - ($20,569)
Hist. Interpreter I-#4802-0424-0002-476 - ($19,806)
Hist. Interpreter III-#4802-0403-0002-341 - ($25,633)
Grds. Worker I-#4802-0410-0002-390, eff. 8/1/03 - ($19,429)/($21,196)
Maint. Mech. V I-#4802-0424-0002-474 - ($31,212)

		FY 03-04	FY 04-05
531211	Salaries	(166,849)	(174,358)
531311	Temp Wages	(101,961)	(72,263)
531461	Longevity	(13,543)	(20,008)
531511	Social Security Cont.	(20,563)	(18,866)
531521	Retirement	(5,466)	(5,889)
531561	Medical Ins Cont.	(19,797)	(20,531)
532210	Electrical	(3,161)	(10,387)
532220	Natural Gas/Propane	(746)	(1,518)
532230	Water & Sewer	(401)	(816)
533900	Other Mat & Supplies	(20,552)	(21,035)
534534	PC Equipment	(8,373)	(8,263)
534539	Other Equip	(9,135)	(8,264)
534541	Motor Vehicle	(60,000)	0
534549	Other Motorized Veh	0	(10,000)

	FY 2003-04		FY 2004-05	
1242 Tryon Palace				
16 Operating Budget Reductions	($62,336)	R	($68,004)	R

Reduce funds for the following expenditure accounts, per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Wages	(35,577)	(35,577)
531416 Longevity	(3,846)	(6,274)
531511 Social Security Cont.	(5,100)	(5,285)
531521 Retirement	(117)	(191)
532210 Electrical	(1,727)	(3,522)
532220 Natural Gas/Propane	(643)	(1,308)
532230 Water & Sewer	(504)	(1,025)
532333 Repairs - Other Equip.	(2,426)	(2,246)
532390 Repairs - Other	(4,344)	(4,344)
532490 Maint Agreements	(4,114)	(4,114)
532714 Trans. Grd/In State	(2,549)	(2,549)
532912 Motor Vehicle Ins	(450)	(450)
533110 Gen. Office Supplies	(680)	(680)
533350 Motor Vehicle/Repl. Parts	(259)	(259)

1243 State Capitol/Visitor Center

17 Personnel and Operating Budget Reductions	($29,270)	R	($29,827)	R
	-0.75		-0.75	

Eliminate salary and related fringe benefits of a vacant .75 FTE Museum Specialist position (#4802-0600-0002-561), and reduce the following expenditure accounts per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531416 Longevity	(1,083)	(1,624)
531521 Retirement	(33)	(49)
531561 Medical Ins Cont.	(733)	(733)

1245 NC Maritime Museum

18 Operating Budget Reductions	($12,252)	R	($13,555)	R

Reduce funds in the following expenditure accounts per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531416 Longevity	(6,508)	(6,902)
531511 Social security Cont.	(1,024)	(1,055)
531521 Retirement	(198)	(210)
532210 Electrical	(669)	(1,364)
532230 Water & Sewer	(110)	(224)
532512 Rentals/Leases	(3,701)	(3,701)
533410 Food and Dietary	(42)	(99)

1250 Historic Preservation Office

19 Personnel and Operating Budget Reductions ($28,062) R ($28,741) R

Eliminate salary and related fringe benefits of $22,754 for a vacant.60 FTE Research Historian position (#4802-0702-0002-613); and reduce the following expenditure accounts per the Governor's recommended budget adjustments and the alternate reduction approved by the subcommittee: -0.60 -0.60

	FY 03-04	FY 04-05
531416 Longevity	(2,342)	(2,947)
531511 Social security Cont.	(2,895)	(2,950)
531521 Retirement	(71)	(90)

1260 Office of State Archaeology

20 Personnel Reduction ($51,450) R ($51,450) R

Eliminate salary and related fringe benefits of an Archaeologist II position (#4802-0701-0002-608), vacant 7/1/03, per the alternate reduction approved by the subcommittee. -1.00 -1.00

1290 Western Office

21 Operating Budget Reductions ($11,805) R ($11,818) R

Reduce funds for the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531416 Longevity	(2,041)	(2,041)
531521 Retirement	(62)	(62)
532210 Electrical	(13)	(26)
532512 Rentals/Leases	(5,566)	(5,566)
532700 Transportation	(4,150)	(4,150)

1320 Museum of Art

22 Personnel and Operating Budget Reductions ($79,824) R ($87,327) R

Eliminate two vacant positions - Administrative Sect (#4803-0200-0003-181) and Video Producer II(#4803-0200-0003-119), effective 9/1/03 at a savings of $66,012 with related fringe benefits; and reduce additional funds for social security contribution (531511) each fiscal year per the Governor's recommended budget adjustments. -2.00 -2.00

	FY 2003-04		FY 2004-05	
1330 NC Arts Council				
23 Operating Budget Reductions	($358,934)	R	($325,964)	R

Reduce funds in the following expenditure accounts and grant program per the Governor's recommended budget adjustment and the alternate reductions approved by the subcommittee:

		FY 03-04	FY 04-05
531416	Longevity	(6,974)	(9,181)
531511	Social Security Cont.	(380)	(849)
531521	Retirement Cont.	(212)	(279)
532140	Information Tech Service	(2,503)	(2,503)
532192	Honorariums	(2,102)	(2,102)
532199	Contracted Services	(7,292)	(7,292)
532390	Repairs-Other	(226)	(226)
532490	Maint Agreement	(531)	(531)
532513	Rent of Conf Room	(113)	(113)
532590	Rent/Lease Other Property	(79)	(79)
532712	Transp-Air Out of state	(299)	(299)
532714	Trans-Ground In State	(3,153)	(3,153)
532715	Trans Ground Out of State	(154)	(154)
532721	Lodging In State	(961)	(961)
532722	Lodging Out of State	(283)	(283)
532724	Meals In State	(882)	(882)
532725	Meals Out of State	(311)	(311)
532727	Misc Subs In State	(170)	(170)
532728	Misc Subs Out of State	(283)	(283)
532731	Bd/Non-Employee Trans	(1,243)	(1,243)
532732	Bd/Non-Employee Subs	(1,191)	(1,191)
532840	Postage	(6,111)	(6,111)
532850	Printing	(6,036)	(6,036)
532942	Other Emp Educational Exp	(350)	(350)
533110	Office Supplies	(676)	(676)
533120	Data Processing Supplies	(226)	(226)
533900	Other Materials & Supplies	(148)	(148)
534511	Furniture-Office	(226)	(226)
534534	Personal Computer & Printer	(791)	(791)
534713	Personal Computer Software	(791)	(791)
535830	Membership dues & Subscrips	(2,228)	(2,228)
536990	Basic Grants Program -	(312,009)	(276,296)

1410 State Library Services

24 Personnel Reduction — ($78,742) R — ($84,315) R

Eliminate salary and related fringe benefits of a vacant Library Consultant II position (#4804-0200-0004-104), and reduce the following expenditure accounts, per the Governor's recommended budget adjustments: -1.00 -1.00

	FY 03-04	FY 04-05
531416 Longevity	(7,193)	(11,656)
531511 Social Security Cont.	(341)	(682)
531521 Retirement	(219)	(354)
531561 Medical Ins Cont.	(598)	(598)
532210 Electrical	(594)	(1,211)
532230 Water & Sewer	(17)	(34)
532512 Rentals/Leases	(1,986)	(1,986)

1480 State Library Statewide Programs

25 Aid to Counties — $1,184,453 R — $1,184,453 R

Provide funds to maintain current level of support for county libraries (536960).

1500 Museum of History

26 Personnel Reductions — ($159,114) R — ($163,201)

Eliminate salary and related fringe benefits of a vacant General Utility Worker position (#4808-0801-0002-791), and .75 FTE of a vacant Museum Conservator position (#4808-0801-0002-735); and reduce the following expenditure accounts per the Governor's recommended budget adjustments: -1.75 -1.75

	FY 03-04	FY 04-05
531211 Salaries	(40,978)	(40,978)
531416 Longevity	(23,241)	(25,429)
531511 Social Security Cont.	(11,236)	(11,404)
531521 Retirement	(1,725)	(1,791)
531561 Medical Ins Cont.	(5,866)	(5,866)
532199 Contractual Svs	(21,595)	(21,595)
532210 Electrical	(1,118)	(2,281)
532220 Natural Gas/Propane	(273)	(554)
532230 Water & Sewer	(214)	(435)
532512 Rentals/Leases	(1,986)	(1,986)
532850 Printing	(17,871)	(17,871)
533900 Other Mat & Supplies	(23,083)	(23,083)
534534 PC/Printers	(11,914)	(11,914)

1992 Reserves

27 Operating Budget Reduction — ($115,949) R — ($165,017) R

Eliminate inflationary allowance for reserves per the Governor's recommended budget adjustments, and the alternate reduction approved by the subcommittee.

House Subcommittee on General Government	FY 2003-04		FY 2004-05	
Total Legislative Changes	**($433,622)**	**R**	**($421,814)**	**R**
Total Position Changes	-19.40		-19.40	
Revised Budget	**$54,193,964**		**$53,915,314**	

Cultural Resources - Roanoke Island Commission

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$1,720,952**		**$1,722,606**	
Legislative Changes				
2584 Roanoke Island Commission				
28 Operating Budget Reductions Reduce operating budget each fiscal year per the alternate reduction approved by the subcommittee.	($220,952)	R	($222,606)	R
Total Legislative Changes	**($220,952)**	R	**($222,606)**	R
Total Position Changes				
Revised Budget	**$1,500,000**		**$1,500,000**	

General Assembly

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$42,858,926**		**$46,268,768**	
Legislative Changes				
1900 Reserves and Transfers				
29 Salary Adjustment Reserve Reduce salary adjustment reserve funds (537195) each fiscal year per the Governor's recommended budget adjustments.	($747,463)	R	($747,463)	R
30 Reserve for Contingencies Reduce contingency reserve funds (537195) each fiscal year per the Governor's recommended budget adjustments.	($550,000)	R	($550,000)	R
Total Legislative Changes	**($1,297,463)**	R	**($1,297,463)**	R
Total Position Changes				
Revised Budget	**$41,561,463**		**$44,971,305**	

Governor

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$5,112,108		$5,112,933	
Legislative Changes				
1110 Administration				
31 Operating Budget Reduction	($20,267)	R	($20,267)	R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.				
531461 EPA & SPA Longevity Pay	FY 03-04 ($18,312)		FY 04-05 ($18,312)	
531511 Social Security Contr.	($1,400)		($1,400)	
531521 Regular Retirement Contr.	($555)		($555)	
1120 Dues to National Associations				
32 Reduction in Dues	($214,786)	R	($214,786)	R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.				
535800 Other Administrative Exp.	FY 03-04 ($214,786)		FY 04-05 ($214,786)	
1130 Intergovernmental Relations				
33 Military Commission	$30,000	NR		
Provides funding for use by the NC Advisory Commission on Military Affairs for military base retention/expansion and related economic development strategies per the Governor's recommendation as adjusted by the subcommittee.				
1631 Raleigh Executive Residence				
34 Operating Budget Reduction	($34,584)	R	($34,584)	R
Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.				
533400 Food and Dietary Supplies	FY 03-04 ($17,292)		FY 04-05 ($17,292)	
535900 Other Expenses	($17,292)		($17,292)	

	FY 2003-04		FY 2004-05	
35 Continuation Budget Reduction	($15,832)	R	($16,516)	R

Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.

	FY 03-04	FY 04-05
532200 Utility/Energy Services	($660)	($1,344)
538166 Transfer to CC&PS	($15,172)	($15,172)

1632 Western Executive Residence

36 Continuation Budget Reduction	($136)	R	($277)	R

Reduces the operating budget by eliminating the inflationary increases that were built into the continuation budget. The Governor recommended an unspecified reduction of 5% of the total budget for the Governor's office. This reduction would make up a component of the 5% reduction.

	FY 03-04	FY 04-05
532200 Utility/Energy Services	($136)	($277)

Total Legislative Changes	($285,605)	R	($286,430)	R
	$30,000	NR		
Total Position Changes				
Revised Budget	$4,856,503		$4,826,503	

Insurance

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$23,364,277**		**$23,395,414**	

Legislative Changes

1100 Administration

37 Operating Budget Reductions ($35,164) R ($35,164) R

Reduces the operating budgets in the following accounts per the Governor's recommendation.

	FY 03-04	FY 04-05
5345XX Equipment/ Furniture	($2,453)	($2,453)
5327XX Travel	($15,000)	($15,000)
5358XX Other Admin. Expenses	($17,711)	($17,711)

38 Operating Budget Reduction ($28,101) R ($28,101) R

Reduces the operating budget for communication/data processing (account 5328XX) by $16,693 and for general administrative supplies (account 5331XX) by $11,408.

1200 Company Services

39 Operating Budget Reductions ($488,954) R ($488,954) R

Reduces the operating budgets in the following accounts per the Governor's recommendation.

	FY 03-04	FY 04-05
5345XX Equipment/ Furniture	($80,651)	($80,651)
5327XX Travel	($150,000)	($150,000)
5358XX Other Admin. Expenses	($26,140)	($26,140)
5328XX Comm./Data Processing	($76,257)	($76,257)
5329XX Other Services	($102,903)	($102,903)
5347XX Intangible Assets	($12,000)	($12,000)
5331XX Gen. Admin. Supplies	($15,000)	($15,000)
5323XX Repairs	($23,893)	($23,893)
5324XX Maintenance Agreements	($2,110)	($2,110)

1300 Technical Services Group

40 Operating Budget Reductions ($577,526) R ($577,526) R

Reduces the operating budgets in the following accounts per the Governor's recommendation.

	FY 03-04	FY 04-05
5345XX Equipment/ Furniture	($129,104)	($129,104)
5327XX Travel	($202,468)	($202,468)
5358XX Other Admin. Expenses	($20,684)	($20,684)
5328XX Data/Data Processing	($187,636)	($187,636)
5331XX Gen. Admin. Supplies	($29,241)	($29,241)
5323XX Repairs	($5,642)	($5,642)
5324XX Maintenance Agreements	($2,751)	($2,751)

House Subcommittee on General Government	FY 2003-04		FY 2004-05	
1400 Public Services Group				
41 Operating Budget Reductions	($212,228)	R	($212,228)	R
Reduces the operating budgets in the following accounts per the Governor's recommendation.				
	FY 03-04	FY 04-05		
5345XX Equipment/ Furniture	($11,353)	($11,353)		
5327XX Travel	($150,000)	($150,000)		
5358XX Other Admin. Expenses	($11,008)	($11,008)		
5331XX Gen. Admin. Supplies	($19,750)	($19,750)		
5323XX Repairs	($16,329)	($16,329)		
5324XX Maintenance Agreements	($3,788)	($3,788)		
1500 Office of the Fire Marshall				
42 Operating Budget Reductions	($79,342)	R	($79,342)	R
Reduces the operating budgets in the following accounts per the Governor's recommendation.				
	FY 03-04	FY 04-05		
5345XX Equipment/Furniture	($5,851)	($5,851)		
5358XX Other Admin. Expenses	($10,939)	($10,939)		
5328XX Comm./Data Processing	($57,908)	($57,908)		
5323XX Repairs	($2,500)	($2,500)		
5324XX Maintenance Agreements	($2,144)	($2,144)		
Department-wide				
43 Personnel Reductions	($207,827)	R	($207,827)	R
Eliminates the salaries and benefits for the following vacant positions:	-5.50		-5.50	
Fund 1200 Company Services				
Insurance Co. Examiner I 3905-0000-0000-338	($50,118)			
Insurance Co. Examiner II 3927-0000-0000-047	($58,965)			
Fund 1300 Technical Services Group				
Processing Asst. IV 3904-0000-0000-246	($37,066)			
Fund 1400 Public Services Group				
Processing Asst. III(.5) 3909-0000-0000-833	($13,522)			
Processing Asst. III 3908-0000-0008-725	($24,078)			
Processing Asst. III 3908-0000-0008-782	($24,078)			
Total Legislative Changes	**($1,629,142)**	R	**($1,629,142)**	R
Total Position Changes	-5.50		-5.50	
Revised Budget	**$21,735,135**		**$21,766,272**	

Lieutenant Governor

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$633,293**		**$633,293**	
Legislative Changes				
1110 Administration				
44 Continuation Budget Reductions The Governor recommended that all allowable inflationary and continuation items built into the Lt. Governor's budget be removed.	($31,571)	R	($31,571)	R
Total Legislative Changes	**($31,571)**	**R**	**($31,571)**	**R**
Total Position Changes				
Revised Budget	**$601,722**		**$601,722**	

Office of Administrative Hearings

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$2,540,719**		**$2,542,833**	
Legislative Changes				
1100 Administration and Operations				
45 Position Eliminations The Governor recommended eliminating two positions (one filled and one vacant). The salary and benefits included in the Governor's recommended budget were erroneous and when recalculated, actually decreased the position dollar amount. Revised position money calculations are inserted in lieu of the Governor's recommendation. To maintain the Governor's budget reduction level, OAH funds were reduced from other operating expenses. Position eliminations are effective 7/1/03. Position (vacant) 8210-1100-0000-027 ($31,600) Position (filled) 8210-1100-0000-017 ($52,107)	($83,707) -2.00	R	($83,707) -2.00	R
46 Increase Federal Receipts The Governor recommended increasing federal receipts by $10,000 and the subcommittee increased federal receipts another $4,000. The cumulative increase in federal receipts approaches the contract total between the Office of Administrative Hearings (OAH) and the Equal Employment Opportunity Commission (EEOC). This change assumes that OAH will close nearly the maximum number of cases.	($14,000)	R	($14,000)	R
47 Reduce Operating Expenses OAH substituted the following reductions in operating expenses in lieu of the Governor's budget reduction recommended items. These are the accepted substitutions: 531631 Workers Compensation (eliminate increase in continuation budget) ($20,000) 532110 Legal Services ($ 1,000) 532942 Other Employee Education Ex ($ 2,629) 5327xx Travel Expense ($ 5,000) 534630 Library Resources ($ 2,000) 534511 Office Furniture ($ 2,700)	($33,329)	R	($33,329)	R

	FY 2003-04		FY 2004-05	
Total Legislative Changes	**($131,036)**	**R**	**($131,036)**	**R**
Total Position Changes	-2.00		-2.00	
Revised Budget	**$2,409,683**		**$2,411,797**	

Office of Information Technology Services

INTERNAL SERVICE FUND

	FY 2003-04	FY 2004-05
Recommended Budget	**$0**	**$0**

Legislative Changes

7209 IRMC

48 Establish IRMC Appropriated Budget $610,367 R

5.00

NCGS 147-33.78 sets forth the Information Resource Management Commission's (IRMC) purpose, composition, and responsibilities. NCGS 147-33.79 establishes the IRMC Independent Staff and sets the budget mechanism. Fund 7209 IRMC Independent Staff is used to support the Commission in its research and oversight responsibilities; provide for staff support of the Commission's committees (such as the Technical Architecture and Project Certification Committee (TAPCC), the Information Protection and Privacy Committee (IPPC), and the e-Government Committee); and to provide staff support for the Commission's monthly meetings.

7209 Info. Resource Mgmt. Commission (IRMC) $610,367

The mechanism for transferring the internal service fund to appropriations will be determined as a result of the study by OSBM which shall include a plan as per special provision. The General Fund will be reimbursed from a non-tax revenue source.

ITS - Departmentwide

49 Establish ITS Appropriated Budget

$174,264,326 R

429.00

ITS is currently an internal service budget entity. There are currently seven ITS agency funds representing major areas (operations, security, technology and business strategies, customer relations, statewide technology purchasing, financial services, and personnel services).
Fund 7100 ITS-Administration is used for the CIO functions, agency management, and administrative support services and used to develop and document statewide information technology (IT) procurement standards and processes.
Fund 7110 Customer Public Relations Management is used to provide Help Desk technical assistance to ITS customers, liaison services to key ITS customers, and information to customers and the public.
Fund 7200 Enterprise Technology Strategies is used for research of new and emerging communications and information technologies; to develop the Statewide Technical Architecture policies, standards, and best practices and recommend such to the IRMC; and monitor project implementation.
Fund 7217 Computing Services is used to provide 24/7 operations in the ITS Computer Center and provides hardware, software, and support in client locations; manages mainframe and microcomputer services; provides customer support including systems selection and implementation; and offers distributed computer services across several platforms.
Fund 7224 State Telecommunications is used to conduct research on emerging telecommunications technologies; design, implement, and manage the infrastructure to support the telephonics, video, data, statewide backbone communications, and other technologies; and provide computer connectivity.
Fund 7228 Enterprise Solutions is used to provide statewide common enterprise services such as email and common payment services, web services and to support mainframe applications.
Fund 7230 Security and Business Recovery is used to research trends and facilitate rapid response to cyber-attacks; identify and address network vulnerabilities; and develop IT security standards and provide IT security services to agencies.

Requirements per fund:

7100	ITS - Administration	$9,181,892
7110	Customer/Public Relat. Mgmt (CPRM)	$2,006,867
7200	Enterprise Tech. Strat. (former IRM)	$1,185,882
7217	Computing Services (CS)	$60,747,056
7224	Telecommunications Services (TS)	$90,799,077
7228	Enterprise Solutions	$4,917,501
7230	Security and Business Recovery	$5,426,051

The mechanism for transferring the internal service fund to appropriations will be determined as a result of a study by OSBM which shall include a plan for transition as per special provision. The General Fund will be reimbursed from a non-tax revenue source.

	FY 2003-04	FY 2004-05	
Total Legislative Changes		$174,874,693	R
Total Position Changes		434.00	
Revised Budget	$0	$174,874,693	

Revenue

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$76,720,217		$77,372,834	

Legislative Changes

1600 Administration

50 Adjust Operating Budget ($32,473) R ($34,578) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the additional reductionss approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(17,252)	(17,252)
531416 Longevity	(11,240)	(13,141)
531511 Social Security Cont.	(3,640)	(3,786)
531521 Retirement Cont.	(341)	(399)

1602 Security

51 Adjust Operating Budget ($40,109) R ($41,300)

Reduce the following Expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531411 Overtime Pay	(39,240)	(39,240)
531421 Holiday Premium Pay	(974)	(974)
531431 Shift Prem Pay	2,687	2,687
531416 Longevity	(6,141)	(7,217)
531511 Social Security Cont.	4,370	4,287
531521 Retirement	(1,325)	(1,357
531561 Medical Ins Cont.	514	514

1603 Personnel

52 Adjust Operating Budget ($35,922) R ($36,663) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate/additional reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(31,298)	(31,298)
531511 Social Security Cont.	1,886	1,217
531511 Social Security Cont.	(6,568)	(6,619)
531521 Retirement	58	37

	FY 2003-04		FY 2004-05	
1605 Information Technology Services				
53 Adjust Call Center and Operating Budget Funds	($1,559,999)	R	($2,096,282)	R

To provide operating funds for the Call Center in the 2003-05 Biennium the Governor recommends using the fees collected from Project Collect. The cash balance in the reserve is sufficient to cover the projected operating cost. Funds are to be transferred from the reserve to the General Fund Budget Code as expenditures are incurred. Present projections indicate the center will come on-line on October 1, 2003. Per S.L. 2002-126, Section 22.6(c), the department is to report quarterly to Gov Ops on the status of the Call Center's implementation. The reduction for the Call Center in this Fund is $1,439,716 in FY 03-04 and $1,971,413 in FY 04-05. Additionally, the following expenditure accounts will be reduced each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(24,485)	(24,485)
531411 Overtime Pay	(29,654)	(29,654)
531421 Holiday Prem Pay	(1,819)	(1,819)
531431 Shift Prem Pay	(9,531)	(9,531)
531461 Longevity	(30,376)	(34,520)
531511 Social security Cont.	(23,460)	(23,777)
531521 Retirement Cont.	(2,164)	(2,289)
531561 Medical Ins Cont.	1,206	1,206
Call Center Reduction		
532441 Maint-Other Software	(4,200)	(4,200)
532446 Maint-LAN Equip	(9,740)	(9,740)
532447 Maint-PCs & Printer	0	(1,330)
532448 Maint-PC Software	0	(4,800)
532450 Maintenance-Servers	(1,380)	(1,380)
532811 Telephone Services	(904,896)	(1,206,528)
532812 Telecomm Data Charges	(180,000)	(180,000)
532821 Computer/DP Svs	(337,500)	(450,000)
533120 DP Supplies	(2,000)	(2,000)
534534 Computer/Printer Purch	0	(111,435)

1607 Tax Research				
54 Adjust Operating Budget	$4,449	R	$3,666	R

Adjust funds each fiscal year per the alternate adjustments approved by the subcommittee:

	FY 03-04	FY 04-05
531461 Longevity	1,169	462
531511 Social security Cont.	(1,268)	(1,322)
531521 Retirement	36	14
531561 Medical Ins Cont.	4,512	4,512

1609 Criminal Investigations

55 Adjust Operating Budget ($10,176) R ($11,235) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531461 Longevity	(6,787)	(7,744)
531511 Social security Cont.	(3,183)	(3,256)
531521 Retirement	(206)	(235)

1621 Corporate, Excise & Insurance

56 Adjust Operating Budget ($4,457) R ($6,275) R

Reduce funds per the alternate reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(10,029)	(10,029)
531511 Social Security Cont.	6,934	5,292
531511 Social Security Cont.	(2,250)	(2,376)
531521 Retirement	211	161
531561 Medical Ins Cont.	677	677

1623 Personal Taxes

57 Adjust Operating Budget ($26,140) R ($26,867) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(13,699)	(13,699)
531461 Longevity	(5,595)	(6,252)
531511 Social Security Cont.	(4,940)	(4,990)
531521 Retirement	(170)	(190)
531561 Medical Ins Cont.	(1,736)	(1,736)

1627 Sales & Use

58 Adjust Operating Budget ($18,275) R ($20,020) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(11,764)	(11,764)
531461 Longevity	(3,675)	(5,252)
531511 Social Security Cont.	(2,724)	(2,844)
531521 Retirement	(112)	(160)

1629 Property Tax

59 Adjust Operating Budget ($14,465) R ($16,649) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the additional reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531461 Longevity	(4,458)	(6,432)
531511 Social Security Cont.	(3,571)	(3,722)
531521 Retirement	(136)	(195)
531651 Bd Member Compensation	(4,250)	(4,250)
532712 Transp. Air/Out of State	(300)	(300)
532731 Bd/Non-Emp Transp.	(800)	(800)
532942 Other Emp Educ Exp	(950)	(950)

1643 Taxpayer Assistance

60 Adjust Operating Budget ($23,752) R ($34,213) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the altrnate reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temp Salaries	(48,835)	(48,835)
531461 Longevity	4,538	(4,912)
531511 Social Security Cont.	8,405	7,681
531521 Retirement	138	(149)
531561 Medical Ins Cont.	12,002	12,002

1660 Examination & Collection

61 Adjust Operating Budget ($135,732) R ($168,487) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(84,522)	(84,522)
531461 Longevity	(50,716)	(80,310)
531511 Social Security Cont.	(8,644)	(10,908)
531521 Retirement	(1,537)	(2,434)
531561 Medical Ins Cont.	9,687	9,687

1661 Project Collect Tax

62 Adjust Operating Budget ($541,802) R ($543,804) R

Transfer 13 positions from General Fund to receipt support using funds available from the collection assistance fee; and reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate adjustment approved by the subcommittee: -13.00 -13.00

Positions
Revenue Officer II-#4784-0000-0076-621 - (39,164)
Revenue Officer II-#4784-0000-0076-622 - (40,486)
Revenue Officer I-#4784-0000-0076-636 - (33,284)
Revenue Officer I-#4784-0000-0076-637 - (33,284)
Revenue Officer I-#4784-0000-0076-638 - (33,284)
Revenue Officer I-#4784-0000-0076-639 - (33,284)
Revenue Officer I-#4784-0000-0076-640 - (33,284)
Revenue Officer I-#4784-0000-0076-641 - (33,284)
Revenue Officer I-#4784-0000-0076-642 - (33,284)
Revenue Officer I-#4784-0000-0076-643 - (33,284)
Revenue Officer I-#4784-0000-0076-644 - (33,284)
Revenue Officer I-#4784-0000-0076-645 - (33,284)
Revenue Officer I-#4784-0000-0076-647 - (33,284)

	FY 03-04	FY 04-05
531211 Salaries	(445,774)	(445,774)
531461 Longevity	(9,077)	(10,887)
531511 Social Security Cont.	(35,039)	(35,177)
531521 Retirement	(13,783)	(13,837)
531561 Medical Ins Cont	(38,129)	(38,129)

1670 Unauthorized Substance Tax

63 Adjust Operating Budget ($28,043) R ($30,741) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments, and the alternate/additional adjustments approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(14,402)	(14,402)
531461 Longevity	(7,221)	(9,659)
531511 Social Security Cont.	(1,408)	(1,594)
531521 Retirement	(219)	(293)
531561 Medicinal Ins Cont.	682	682
532714 Transp. Grd/In-State	(4,225)	(4,225)
532811 Telephone services	(1,250)	(1,250)

1681 Administrative Services

64 Adjust Operating Budget ($442,018) R ($486,112) R

In conjunction with the adjustment for the Call Center in Fund 1605, there are additional reductions in Administrative Services. For the 2003-05 Biennium the Governor recommends using the fees collected from Project Collect Tax to support operation of the Call Center that is projected to come on-line October 1, 2003. Per the requirements of S.L. 2002-126, Section 22.6 (c) the department will continue to report on the status of the Call Center to the General Assembly. Of the funds reduced, $183,180 each fiscal year is allocated to the Call Center.

Additionally, the following expenditure accounts will be reduced each fiscal year per the Governor's recommended budget adjustments, and the alternate/additional reductions approved by the subcommittee:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(12,524)	(12,524)
531411 Overtime Pay	(9,622)	(9,622)
531461 Longevity	(6,082)	(6,943)
531511 Social Security Cont.	(5,033)	(5,099)
531521 Retirement	(477)	(503)
531561 Medical Ins Cont.	8	8
532512 Rentals/Leases	(134,942)	(136,596)
532821 Computer/DP Svs	(77,727)	(119,214)
532860 Advertising	(7,139)	(7,139)
533120 DP Supplies	(5,300)	(5,300)
Call Center Reduction		
532512 Rentals/Leases	(183,180)	(183,180)

1683 Financial Services

65 Adjust Operating Budgets ($10,792) R ($11,271) R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
531311 Temporary Salaries	(6,884)	(6,884)
531461 Longevity	(3,313)	(3,746)
531511 Social Security Cont.	(494)	(527)
531521 Retirement	(101)	(114)

House Subcommittee on General Government	FY 2003-04		FY 2004-05	
1685 Documents & Payments Processing				
66 Adjust Operating Budget	($298,614)	R	($310,106)	R
Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:				

	FY 03-04	FY 04-05
531311 Temporary Salaries	(239,747)	(239,747)
531461 Longevity	(20,105)	(30,489)
531511 Social Security Cont.	(22,060)	(22,854)
531521 Retirement	(610)	(924)
531561 Medical Ins Cont.	(16,092)	(16,092)

Total Legislative Changes	**($3,218,320)**	R	**($3,870,937)**	R
Total Position Changes	-13.00		-13.00	
Revised Budget	**$73,501,897**		**$73,501,897**	

Secretary of State

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$8,210,304**		**$8,179,923**	

Legislative Changes

1110 Administration

67 Continuation Budget Reductions ($7,732) R ($7,732) R

Eliminates the inflationary increases included in the 2003-05 continuation per the Governor's recommendation.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	($7,504)	($7,504)
531521 Regular Retirement Contr.	($228)	($228)

1110 Administration

68 Personnel Reduction ($56,438) R ($56,438) R

Eliminates the salary and benefits for a Personnel Officer II position (3211-0000-0000-023). -1.00 -1.00

1120 Publications

69 Continuation Budget Reductions ($84) R ($84) R

Eliminates the inflationary increases included in the 2003-05 continuation budget

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	($81)	($81)
531521 Regular Retirement Contr.	($3)	($3)

1220 Uniform Commercial Code

70 Personnel Reduction ($30,122) R ($30,122) R

Eliminates the salary and benefits for a vacant Processing Assistant V position (3222-0000-0000-376). -1.00 -1.00

71 Continuation Budget Reductions ($33,088) R ($43,707) R

Eliminates all inflationary increases included in the 2003-05 continuation budget per the Governor's recommendation.

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	($5,314)	($5,314)
531521 Reg. Retirement Contr.	($162)	($162)
532500 Rental/Leases	($27,612)	($38,231)

	FY 2003-04		FY 2004-05	
1230 Securities Division				
72 Vacant Position Reductions	($102,969)	R	($102,969)	R
Eliminates two vacant unsworn Securities Investigator positions and the $23,423 in increases that were included in the continuation budget to annualize these two new positions per the Governor's recommendation.	-2.00		-2.00	
Salaries and Benefits: Securities Inv. 3223-0000-0000-468 ($39,773) Securities Inv. 3223-0000-0000-469 ($39,773)				
73 Continuation Budget Reductions	($6,684)	R	($6,684)	R
Eliminates all inflationary increases included in the 2003-05 continuation, with the exception of increases supported through receipts and increases included to annualize three new positions per the Governor's recommendation.				

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	($6,318)	($6,318)
531511 Social Security Contr.	($175)	($175)
531521 Regular Retirement Contr.	($191)	($191)

1240 Business License Information Office				
74 Eliminates the Business License Information Office			($260,000)	R
Eliminates the Business License Information Office effective July 1, 2004, including 6 consultant positions. During fiscal year 2003-2004, the Department along with the Community College System will develop a plan for transferring the consultation function to the Small Business Centers in the Community College System. Funds appropriated in the continuation budget for the Business License Information Office can be used to implement the transfer, including the establishment of a web-based system and training for the Small Business Centers.			-6.00	
1300 Notary Public				
75 Continuation Budget Reductions	($1,395)	R	($1,395)	R
Eliminates all inflationary increases included in the fiscal year 2003-05 continuation budget per the Governor's recommendation.				

	FY 03-04	FY 04-05
531461 EPA & SPA Longevity	($918)	($918)
531511 Social Security Contr.	($449)	($449)
531521 Regular Retirement Contr.	($28)	($28)

House Subcommittee on General Government	FY 2003-04		FY 2004-05	
Department-wide				
76 Operating Budget Reductions Reduces the operating budget in the following accounts, department-wide, as recommended by the Governor.	($217,563)	R	($217,563)	R

	FY 03-04	FY 04-05
5327XX Travel	($46,000)	($46,000)
5328XX Data/Data Processing	($149,563)	($149,563)
5331XX Gen. Admin. Supplies	($22,000)	($22,000)

Total Legislative Changes	**($456,075)**	**R**	**($726,694)**	**R**
Total Position Changes	-4.00		-10.00	
Revised Budget	**$7,754,229**		**$7,453,229**	

State Board of Elections

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$3,123,646		$3,124,003	

Legislative Changes

1100 Administration

77 Transfer SEIMS Approp. from Fund 1100 to Reserve ($1,665,650) R ($1,665,650) R

Reduce the State Board of Elections' Fund 1100 Administration by $1,665,650. This is the amount currently authorized for expenditure for the Statewide Election Information Management System (SEIMS) or computerized voter registration project and is a portion of what is required for the Maintenance of Effort (MOE) condition stipulated in the Help America Vote Act of 2002 (HAVA) federal legislation. This exact amount will be transferred to a Reserve Fund (19xx) in the State Board of Elections budget and be joined with an additional General Fund appropriation to ensure that the State provides its full 1999-00 expense level of $3,457,586.

78 State Match Funds for HAVA requirements $2,524,400 NR

At the time the Governor's recommended budget was prepared, the details of the federal law, Help America Vote Act of 2002 (HAVA), were incomplete. During March 2003, the federal government informed the State Board of Elections that North Carolina could anticipate receiving HAVA federal funds. Specifically, Title II of HAVA authorized up to $1.4 billion in requirement grants nationwide, subject to actual funding for fiscal years 2003-04, 2004-05 and 2005-06. These funds are to be distributed to the states which have to provide a 5% match requirement, comply with a Maintenance of Effort (MOE) requirement, and have submitted a State Plan. To fulfill the State's 5% match requirement, it is recommended that a non-recurring sum of estimated match funds be allocated to the State's Election Fund to provide for the requisite match for 2003, 2004, and 2005 in the amount of $2,524,400.

	2003-04 (based on approp)	2004-05 (estimate)	2005-06 (estimate)
Federal Funds	$22,600,000	$13,944,000	$13,944,000
State Match (5%)	$1,130,000	$ 697,200	$ 697,200

	FY 2003-04		FY 2004-05	
19xx Reserves				
79 State MOE for HAVA in Reserve Fund	$3,457,586	R	$3,457,586	R

Federal law, HAVA, requires that the State not spend any less state money for required qualified HAVA activities than what it expended on such during 1999-00. This Maintenance of Effort or MOE requirement is in addition to the match funds requirement for the State to meet to be eligible to receive federal requirement payments.

In state fiscal year 1999-00, the State Board of Elections (Board) expended $3,457,585.06 on its computerized voter registration system (SEIMS). HAVA Title III required activities, for which the federal requirements payments can be used and for which the Board expended funds upon in 1999-00, includes the SEIMS project. In 2002-03, the Board was authorized to expend only $1,665,650 on the SEIMS project.

	1999-00 Actual Expend.	2002-03 Authorized Expend.	Unmet MOE Amount
SEIMS expenditure	$3,457,586	$1,665,650	$1,791,936

To meet its HAVA MOE requirement, the State has to appropriate an additional $1,791,936 to the State Board of Elections in 2003-04, 2004-05 and on a recurring basis for as long as the HAVA MOE condition is required. This amount, in addition to the currently authorized budgeted amount of $1,665,650 for SEIMS (to be transferred from the Board's budget Fund 1100 Administration) is to be transferred to the Board's Reserve Fund (Fund 19xx, HAVA Maintenance of Effort Requirement) on a recurring basis. The total recurring dollars to be appropriated from the General Fund to the Board Reserve Fund (19xx) to ensure the 1999-00 expense level, is $3,457,586 annually.

Total Legislative Changes	**$1,791,936** **$2,524,400**	R NR	**$1,791,936**	R
Total Position Changes				
Revised Budget	**$7,439,982**		**$4,915,939**	

State Budget and Management

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$4,428,558**		**$4,432,863**	
Legislative Changes				
1310 Office of State Budget & Management				
80 Budget Reductions	($252,021)	R	($252,021)	R
Reduces the operating budget by eliminating four vacant positions ($247,640) and by eliminating the $4,381 inflationary increase for EPA & SPA Longevity (account 531461) that was included in the continuation budget. The Governor recommended unspecified reduction of 5% to the total recommendation continuation budget. This reduction is a component of the 5% plus an additional reduction taken by the subcommittee.	-4.00		-4.00	
Statistician II 3004-0000-0000-215 ($57,538) State Mgmt. Admin. 3004-0401-0000-590 ($100,419) Accounting Clerk V 3004-0401-0000-615 ($35,268) State Mgmt. Analyst 3004-0403-0000-663 ($54,415)				
Total Legislative Changes	**($252,021)**	R	**($252,021)**	R
Total Position Changes	-4.00		-4.00	
Revised Budget	**$4,176,537**		**$4,180,842**	

State Budget and Management - Special Appropriations

	FY 2003-04		FY 2004-05	
Recommended Budget	**$3,080,000**		**$3,080,000**	
Legislative Changes				
1022 2003 Special Appropriation				
81 NC Humanities Council Provides funding to the North Carolina Humanities Council, a nonprofit corporation, for the programs of the Council.	$50,000	R	$50,000	R
Total Legislative Changes	**$50,000**	R	**$50,000**	R
Total Position Changes				
Revised Budget	**$3,130,000**		**$3,130,000**	

State Controller

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$10,046,077**		**$10,071,064**	
Legislative Changes				
1000 Departmentwide				
82 Operating Budget Reductions	($351,613)	R	($351,613)	R

Reduce the following expenditure accounts each fiscal year per the Governor's recommended budget adjustments:

	FY 03-04	FY 04-05
532712 Transp. Air/Out of	(500)	(500)
532715 Tranp. Grd/out of State	(100)	(100)
532717 Transp. Other/In State	(100)	(100)
532721 Lodging	(100)	(100)
532724 Meals - In State	(600)	(600)
532725 Meal - Out of State	(500)	(500)
532821 Data Processing	(338,939)	(338,939)
532850 Printing	(2,000)	(2,000)
534522 Computer Equipment	(8,774)	(8,774)

Total Legislative Changes	**($351,613)**	R	**($351,613)**	R
Total Position Changes				
Revised Budget	**$9,694,464**		**$9,719,451**	

Treasurer

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	$8,063,750		$8,066,505	
Legislative Changes				
1130 Escheat Fund Administration				
83 Transfer to Appropriation Support Transfers the funding for the administration of the Escheat Fund to appropriation-support. The Escheat Fund will reimburse the General Fund from interest earnings for all amounts appropriated for the administration of the Escheat Fund. Receipts to General Fund Budget Code 13410-1130 will be reduced to $0.	$1,566,698 22.00	R	$1,566,698 22.00	R
1210 Investment Management				
84 Operating Budget Reduction Reduces information technology expenditures. Expenditures and receipts in the Computer Technology Internal Service Fund (73410) will be reduced by a corresponding amount.	($45,721)	R	($45,721)	R
1410 Retirement System				
85 Transfer to Appropriation Support Transfers the funding for the operation of the Retirement System to appropriation-support. The Retirement System will reimburse the General Fund from interest earnings for all amounts appropriated for the Retirement System operations. Receipts to General Fund Budget Code 14310-1410 will be reduced to $0.	$10,800,103 136.00	R	$10,800,103 136.00	R
Department-wide				
86 Continuation Budget Item Eliminates the inflationary increase that was included in the continuation budget for maintenance agreements as recommended by the Governor.	($248,000)	R	($248,000)	R
87 Operating Budget Reductions Reduces the operating expenses for financial/audit services ($120,000), computer equipment ($5,000), administrative services ($10,000), and communication and data processing ($60,000) as recommended by the Governor.	($195,000)	R	($195,000)	R

House Subcommittee on General Government	FY 2003-04		FY 2004-05	
Total Legislative Changes	**$11,878,080**	**R**	**$11,878,080**	**R**
Total Position Changes	158.00		158.00	
Revised Budget	**$19,941,830**		**$19,944,585**	

Treasurer - Retirement for Fire and Rescue Squad Workers

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$7,131,179**		**$7,131,179**	
Legislative Changes				
1432 Line of Duty Death Benefit				
88 Increase Death Benefit Funding Increases the funding for Line of Duty Death Benefits paid, pursuant to G.S. § 143-12A, to survivors of eligible persons killed in the line of duty. The increase is due to the increase in the number of line of duty deaths.	$50,000	R	$50,000	R
Total Legislative Changes	**$50,000**	R	**$50,000**	R
Total Position Changes				
Revised Budget	**$7,181,179**		**$7,181,179**	

TRANSPORTATION

Section K

Transportation

GENERAL FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$12,842,163**		**$12,872,739**	
Legislative Changes				
(1200) Airport Grants				
1 Reduction in Airport Grants Reduces the amount of the increase in State funding for grants to local airports. Total General Fund support for aviation grants in FY2003-04 will increase from $10,902,500 to $11,429,525, or by $527,025. Federal State Block Grant Program funds were $23,873,466 in Fiscal Year 2001-02.	($1,412,638)	R	($1,412,638)	R
Total Legislative Changes	**($1,412,638)**	R	**($1,412,638)**	R
Total Position Changes				
Revised Budget	**$11,429,525**		**$11,460,101**	

Transportation

HIGHWAY FUND

	FY 2003-04		FY 2004-05	
Recommended Budget	**$1,284,128,621**		**$1,290,598,009**	
Legislative Changes				
(0000) General Administration				
2 Reduce General Administration Reduces the Highway Fund appropriation for General Administration by 2.5% in FY2003-04 and by 5% in FY2004-05.	($1,800,000)	R	($3,600,000)	R
(0240) General Services				
3 Replace Outdated Printing Equipment Provides funding to lease new scanning and printing equipment in the Division of Motor Vehicles and the Department of Transportation Print Services Units to replace unreliable black and white analog duplicating equipment.	$258,000	R	$258,000	R
(0610) Bicycle and Pedestrian				
4 Planning Grants for Local Governments G.S.136-66.2 requires each municipality to develop a comprehensive transportation plan, including bicycle and pedestrian, to serve present and future travel demands. Provides funds to establish matching grants for municipalities.	$150,705	R	$250,705	R
(2120) Division 12				
5 Establish Third District Office Provides funding to add a third district office in Division 12. The plans are to remodel an existing building in Conover, NC to house the maintenance operations in Lincoln and Catawba counties. The new office will require the creation of two new positions, an Office Assistant IV and a Transportation Engineering Supervisor II.	$104,659 $45,341 2.00	R NR	$104,659 2.00	R
(5120) Secondary Road Construction				
6 Technical Adjustment to Secondary Roads Allocation The allocation to secondary roads is determined by statute and is a function of gallons of motor fuel sold. Revised estimates of gallons sold are below the original forecasts and this technical adjustment revises the budget for the secondary roads allocation accordingly. This reduces the secondary road budget from $90,130,000 in FY2003-04 to $89,600,000.	($530,000)	R	($1,970,000)	R

	FY 2003-04		FY 2004-05	
(5400) Repair, Renovations, Replacement				
7 Capital Improvements Provides funding to repair, renovate and replace some of the 2,966 buildings and structures owned by the Department of Transportation. These buildings and structures are located in all 100 counties. The present value of all DOT structures is $322.3 million. Approximately 50% are over 30 years old with the primary tenants being the Division of Highways, the Division of Motor Vehicles and the State Highway Patrol. Capital needs of the Department of Transportation have no dedicated source of funding, as does the General Fund.	$7,000,000	NR		
(5910) Aid to Municipalities				
8 Technical Adjustment to Aid for Municipalities The allocation to municipalities is determined by statute and is a function of gallons of motor fuel sold. Revised estimates of gallons sold are below the original forecasts and this technical adjustment revises the budget for aid to municipalities accordingly. This reduces the municipal aid budget in FY2003-04 from $90,130,000 to $89,600,000.	($530,000)	R	($1,970,000)	R
(5940) Railroad Program				
9 Maintenance for Rail Infrastructure Establishes a recurring fund for maintenance of completed rail capital projects, including Sealed Corridor, Inactive Rail Corridors, North Carolina Railroad Improvement, Facilities Maintenance and Passenger Stations.	$1,785,000	R	$2,100,000	
10 Rail Capital and Safety Supports the Rail Division Capital and Safety Programs. The funds will be used for major track and signal upgrades and capacity expansion, initiatives to grade separate highway and rail traffic on major highway corridors, plan expansion of rail maintenance facilities, and purchase and renovate rolling stock as necessary.	$2,730,919	R	$2,856,153	R
(5970) Public Transportation				
11 Replace Nonrecurring Funds from Senate Bill 1005 Senate Bill 1005 provided nonrecurring funds for public transportation. This action provides recurring funding to replace those funds when they expire after FY 2004. This action does not expand the public transportation program. Rural Operating $1,600,000 Rural Capital $2,000,000 Human Services $2,000,000 Urban, Regional Maint. $5,000,000	$0	R	$10,600,000	R
12 Human Services Management Provides administrative assistance to community transportation systems that serve only human service clients.	$229,650	R	$229,650	R

House Subcommittee on Transportation	FY 2003-04		FY 2004-05	
13 Urban and Regional Maintenance				
Provides operating assistance to each of the state's 21 small urban and regional fixed route systems. The allocation formula is based largely on performance, with the systems that provide the most revenue miles of service and passenger trips in the most efficient manner receiving the majority of the funding. Increases funding for this program.	$6,357,092	NR		
14 Urban Buses Facilities and Technology	$3,185,000	R	$3,185,000	R
Provides a 10% state match to federal grants for vehicle replacement and expansion needs. Provides funding for construction and renovation of maintenance facilities, multimodal facilities, and transfer centers for transit systems operating in urban areas. Provides state funds for the acquisition of advanced technologies for regional and urban transit systems including automatic vehicle locators, regional call centers and other technologies that will provide convenient and complete information to transit customers and increase overall system efficiencies.				
15 Regional New Starts and Capital	$2,000,000	NR		
Provides 25% state match for planning, environmental impact studies, design, right of way acquisition, rail car purchases and construction costs to initiate major regional guideway projects.				
(6220) Leaking Underground Storage Tanks				
16 Technical Adjustment	($50,000)	NR		
Adjusts contribution to Leaking Underground Storage Tank Fund based on a revised estimate of motor fuel sales.				
(6270) Crime Control and Public Safety				
17 State Highway Patrol Troopers	$1,350,000	R	$1,350,000	R
Provides Highway Fund appropriations to support the cost of hiring 25 additional State Highway Patrol troopers.	$1,150,000	NR		
(6310) Department of Public Instruction				
18 Reduce Transfer for Driver Education	($199,298)	R	($170,291)	R
The amount transferred to the Department of Public Instruction for Driver Education is the forecast of the Average Daily Membership (ADM) of ninth grade students multiplied by $205.06. The newest forecast of ADM is slightly lower than the previous forecast and the amount budgeted is decreased accordingly.				
(6320) State Treasurer				
19 Revised Payment in Lieu of Sales Tax	$251,000	NR		
Adjusts the payment as a result of a revision in the projected Sales Tax Revenue for the FY2003-05 Biennium.				

House Subcommittee on Transportation	FY 2003-04		FY 2004-05	
(6330) Global TransPark				
20 Closeout Funding Provides nonrecurring Highway Fund appropriations to support the Global TransPark for FY2003-04. The funding to the Global TransPark will end on June 30, 2004.	$1,600,000	NR		
(6611) Retirement System				
21 Retirement System Contributions Provides State funds for fiscal years 2003-04 and 2004-05 for members of the Teachers' and State Employees' Retirement System to begin increasing the contribution rate due to losses in investments and to provide a cost-of-living adjustment of 1.28% for retirees beginning July 1, 2003.	$811,140	R	$7,558,000	R
(6801) Reserves and Transfers				
22 State Funded Compensation Increase Governor's recommendation to provide funds to support a permanent 1.6% annual salary increase for State employees whose salaries and related employer contributions are supported out of the Highway Fund.	$5,600,000	R	$5,600,000	R
(6828) General Maintenance Reserve				
23 Highway Maintenance Provides funding for highway maintenance.	$4,828,843 $25,873,328	R NR	$6,628,843	
(6836) Funds				
24 Reserve for Retiree Health Benefits Provides funds to continue to pay FY 2002-03 retiree health benefit premiums beyond June 30, 2003.	$1,600,000	R	$1,600,000	R
25 State Employee Health Plan Reserve Governor's recommendation to provide funds to increase the State's contribution for active and retired employees' health care benefits by 11% effective October 1, 2003. Employer contribution rate for retiree health benefits increased accordingly.	$3,000,000	R	$3,000,000	R
Total Legislative Changes	**$22,574,618** **$44,226,761**	R NR	**$37,610,719**	R
Total Position Changes	2.00		2.00	
Revised Budget	**$1,350,930,000**		**$1,328,208,728**	

RESERVES/
DEBT SERVICE/
ADJUSTMENTS

Section L

Reserves, Debt Service and Adjustments

	GENERAL FUND			
	FY 2003-04		FY 2004-05	
Recommended Budget	**$436,786,713**		**$505,649,255**	

Legislative Changes

A. Employee Benefits

1 State Funded Compensation Increases	$126,250,000	R	$126,250,000	R
Provides funds to increase salaries of employees of Public Schools, Community Colleges, State Agencies and Departments and the UNC System.	$6,100,000	NR		
Public Schools Teachers and Instructional Support -- 1.81% average Principals and Assistant Principals -- 1.86% average All Other Public School Employees -- 1.6%				
Also provided are $6.1 million in nonrecurring funds to support one-time bonus compensation to teachers and principals who are at the top of their respective experience step salary schedules and who will not otherwise receive an experience step salary increase.				
Community College Employees -- 1.6%				
Also provided are additional recurring funds of $3.25 million in the 2003-2004 fiscal year to support an additional one-half percent salary increase for Community College System faculty and professional staff.				
State Agencies and Departments SPA Employees -- 1.6% EPA Employees -- 1.6% State Agency Teachers -- 1.81% average				
UNC System SPA Employees -- 1.6% EPA Employees -- 1.6% School of Science and Math Faculty -- 1.81% average				
2 Retirement System Contributions	$16,546,000	R	$154,200,000	R
Increases the contribution rate for fiscal years 2003-04 and 2004-05 to to compensate for losses in investments and to provide a cost-of-living adjustment of 1.28% for retirees beginning July 1, 2003.	$10,000,000	NR		

	FY 2003-04		FY 2004-05	
3 State Employee Health Plan Reserve Funds Governor's recommendation to increase the State's contribution for active and retired employees' health care benefits by 11% effective October 1, 2003. Employer contribution rate for retiree health benefits increased accordingly.	$72,000,000	R	$96,000,000	R
4 Reserve for Retiree Health Benefits Provides funds to continue to pay 2002-03 retiree health benefit premiums beyond June 30, 2003.	$36,800,000	R	$36,800,000	R
B. Debt Service				
5 General Fund Debt Service Adjusts debt service requirement to reflect revised cash flow requirements.	($42,344,845)	R	($24,513,855)	R
C. Other Reserves				
6 AOC - Reserve for Judicial Staffing/Salary Reserve Creates a reserve in the Administrative Office of the Courts. AOC is authorized to draw funds from this reserve should the results of the State Personnel study of AOC staffing indicate a need to offset staffing recductions.	$461,198	R	$461,198	R
7 General Assembly - Reserve for Blue Ribbon Commission on Medicaid Reform Provides funding for a Blue Ribbon Commission on Medicaid Reform. The Commission will recommend long term cost containment measures to the General Assembly.	$500,000	NR		
8 OSBM - Economic Incentives Reserve Funds small grants that may be used to stimulate economic development.	$2,600,000	NR		
9 DOA - State Surplus Real Property System Reserve Creates a reserve in the Department of Administration to pay consultants and other operating expenses associated with the development and implementation of a system for identification and disposal of surplus real property.	$250,000	NR		
10 Mental Health Trust Fund Provides funding to continue mental health sytem reform.	$10,000,000	NR		
11 OSBM - Reserve for HIPAA Implementation Funds activities required to implement the federal Health Insurance and Portability and Accountability Act. This act establishes standards for the transmission, storage and handling of certain electronic health care data.	$2,000,000	NR		

	FY 2003-04		FY 2004-05	
Total Legislative Changes	**$209,712,353** **$31,450,000**	**R** **NR**	**$389,197,343**	**R**
Revised Budget	**$677,949,066**		**$894,846,598**	

CAPITAL

Section M

Capital

	GENERAL FUND	
	FY 2003-04	FY 2004-05
1 Water Resource Development Projects		
Includes funding for state share of Water Resources Development Projects. Project list is included in HB 397 at Section 31.2.	$27,601,000 NR	
Total Capital Appropriation	**$27,601,000 NR**	

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H D

HOUSE BILL 397
PROPOSED COMMITTEE SUBSTITUTE H397-PCS30261-LH-3

Short Title: 2003 Appropriations Act. (Public)

Sponsors:

Referred to:

March 11, 2003

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS FOR STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

PART I. INTRODUCTION AND TITLE OF ACT

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2003."

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – General Fund	**2003-2004**	**2004-2005**

EDUCATION		
Community Colleges System Office	659,110,455	662,184,769
Department of Public Instruction	6,017,691,217	6,025,509,098
University System	1,761,408,589	1,796,324,529
HEALTH AND HUMAN SERVICES		
Department of Health and Human Services		
Office of the Secretary	81,783,833	80,583,833
Division of Aging	27,535,838	27,535,838
Division of Blind Services/Deaf/HH	9,302,670	9,387,008
Division of Child Development	250,943,174	250,943,174
Division of Education Services	31,606,862	31,470,076
Division of Facility Services	9,442,530	9,442,530
Division of Medical Assistance	2,267,543,569	2,555,591,731
Division of Mental Health	577,021,583	580,154,434
NC Health Choice	45,057,907	45,057,907
Division of Public Health	126,426,728	125,423,148
Division of Social Services	176,728,674	186,579,268
Division of Vocation Rehabilitation	39,798,384	40,591,118
Total	3,643,191,752	3,942,760,065
NATURAL AND ECONOMIC RESOURCES		
Department of Agriculture and Consumer Services	49,214,757	49,237,156
Department of Commerce		
Commerce	32,925,728	33,165,487
Commerce State-Aid	10,999,731	10,999,731
NC Biotechnology Center	5,883,395	5,883,395
Rural Economic Development Center	4,425,677	4,425,677
Department of Environment and Natural Resources		
Environment and Natural Resources	146,337,419	153,052,962
Clean Water Management Trust Fund	25,000,000	25,000,000
Office of the Governor – Housing Finance Agency	4,750,945	4,750,945
Department of Labor	13,265,001	13,273,651
JUSTICE AND PUBLIC SAFETY		
Department of Correction	940,840,075	960,172,282
Department of Crime Control and Public Safety	29,034,326	28,139,010
Judicial Department	303,251,883	310,448,697
Judicial Department – Indigent Defense	72,578,130	70,645,094
Department of Justice	70,673,310	71,459,312

Department of Juvenile Justice and Delinquency Prevention	130,313,473	130,505,498
GENERAL GOVERNMENT		
Department of Administration	55,733,844	56,312,231
Office of Administrative Hearings	2,409,683	2,411,797
Department of State Auditor	10,243,471	10,243,471
Office of State Controller	9,694,464	9,719,451
Department of Cultural Resources		
Cultural Resources	54,193,964	53,915,314
Roanoke Island Commission	1,500,000	1,500,000
State Board of Elections	7,439,982	4,915,939
General Assembly	41,561,463	44,971,305
Office of the Governor		
Office of the Governor	4,856,503	4,826,503
Office of State Budget and Management	4,176,537	4,180,842
OSBM – Reserve for Special Appropriations	3,130,000	3,130,000
Department of Insurance		
Insurance	21,735,135	21,766,272
Insurance – Volunteer Safety Workers' Compensation	4,500,000	4,500,000
Office of Lieutenant Governor	601,722	601,722
Department of Revenue	73,501,897	73,501,897
Rules Review Commission	310,454	310,454
Department of Secretary of State	7,754,229	7,453,229
Department of State Treasurer		
State Treasurer	19,941,830	19,944,585
State Treasurer – Retirement for Fire and Rescue Squad Workers	7,181,179	7,181,179
TRANSPORTATION		
Department of Transportation	11,429,525	11,460,101
RESERVES, ADJUSTMENTS AND DEBT SERVICE		
Reserve for Compensation Increases	132,350,000	126,250,000
Statewide Reserve for State Health Plan	72,000,000	96,000,000
Reserve for Teachers' and State Employees'		

Retirement Rate Adjustment	26,546,000	154,200,000
Retiree Health Benefits	36,800,000	36,800,000
Contingency and Emergency	5,000,000	5,000,000
Reserve for Salary Adjustments	500,000	500,000
Mental Health, Developmental Disabilities and Substance Abuse Services Trust Fund	10,000,000	0
Reserve to Implement HIPAA	2,000,000	0
Economic Incentives Reserve	2,600,000	0
Judicial Staffing/Salary Reserve	461,198	461,198
State Surplus Real Property System	250,000	0
Blue Ribbon Commission on Medicaid Reform	500,000	0
Debt Service		
General Debt Service	387,785,920	474,479,452
Federal Reimbursement	1,155,948	1,155,948
TOTAL CURRENT OPERATIONS – GENERAL FUND	14,940,740,811	15,535,630,248

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

GENERAL FUND AVAILABILITY STATEMENT

SECTION 2.2.(a) The General Fund availability used in developing the 2003-2005 biennial budget is shown below:

	FY 2003-2004	**FY 2004-2005**
Unappropriated Balance	103,885	0
Beginning Unreserved Credit Balance	375,000,000	0
Revenues Based on Existing Tax Structure	13,398,700,000	14,203,160,000
Nontax Revenues		
Investment Income	126,266,801	132,056,801
Judicial Fees	137,520,000	144,430,000
Disproportionate Share	100,000,000	100,000,000
Insurance	51,900,000	53,900,000
Other Nontax Revenues	116,050,000	120,100,000
Highway Trust Fund Transfer	16,379,000	16,910,000
Highway Fund Transfer	252,422,125	231,774,330
Subtotal Nontax Revenues	800,537,926	799,171,131
Total General Fund Availability	**14,574,341,811**	**15,002,331,131**
Adjustments to Availability: 2003 Session		
Finance Committee Revenue Initiatives	384,000,000	480,900,000

Tobacco Settlement Funds – Tobacco Trust Fund	40,000,000	40,000,000
Tobacco Settlement Funds – Health & Wellness Trust Fund	20,000,000	20,000,000
Transfer from Disaster Reserve	100,000,000	0
Credit Savings Reserve Account	(100,000,000)	0
Credit to Repairs and Renovations Account	(50,000,000)	0
Subtotal Adjustments to Availability: 2003 Session	394,000,000	540,900,000
General Fund Availability for 2003-2005 Biennium	14,968,341,811	15,543,231,131
Total General Fund Appropriations 2003-2005 Biennium	(14,968,341,811)	(15,535,630,248)
Unappropriated Balance	0	7,600,883

SECTION 2.2.(b) Notwithstanding G.S. 143-16.4(a2), of the funds credited to the Tobacco Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of forty million dollars ($40,000,000) shall be transferred from the Department of Agriculture and Consumer Services, Budget Code 23703 (Tobacco Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

SECTION 2.2.(c) Notwithstanding G.S. 143-16.4(a1), of the funds credited to the Health Trust Account from the Master Settlement Agreement pursuant to Section 6(2) of S.L. 1999-2 during the 2003-2004 and 2004-2005 fiscal years, the sum of twenty million dollars ($20,000,000) that would otherwise be deposited in the Fund Reserve established by G.S. 147-86.30(c) shall be transferred from the Department of State Treasurer, Budget Code 23460 (Health and Wellness Trust Fund) to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

SECTION 2.2.(d) On July 1, 2003, the State Controller shall transfer one hundred million dollars ($100,000,000) from the Disaster Reserve Fund, Budget Code 13017, to Nontax Budget Code 19978 (Intra State Transfers) to support General Fund appropriations for the 2003-2004 fiscal year.

SECTION 2.2.(e) Notwithstanding G.S. 105-187.9(b)(1), the sum to be transferred to the General Fund for each of the fiscal years 2003-2004 and 2004-2005 is two hundred fifty million dollars ($250,000,000).

SECTION 2.2.(f) Notwithstanding G.S. 143-15.2 and G.S. 143-15.3, the State Controller shall transfer only one hundred million dollars ($100,000,000) from the unreserved credit balance to the Savings Reserve Account on June 30, 2003. This is not an "appropriation made by law", as that phrase is used in Article V, Section 7(1) of the North Carolina Constitution. This subsection becomes effective June 30, 2003.

SECTION 2.2.(g) Notwithstanding G.S. 143-15.2 and G.S. 143-15.3A, the State Controller shall transfer only fifty million dollars ($50,000,000) from the unreserved credit balance to the Repairs and Renovations Reserve Account on June 30, 2003. This subsection becomes effective June 30, 2003.

SECTION 2.2.(h) Notwithstanding G.S. 147-86.30(c), the Health and Wellness Trust Fund Commission may expend the balance of funds remaining from funds transferred from the Fund Reserve to Health and Wellness Trust Fund nonreserved funds pursuant to Section 2.2(h) of S.L. 2002-126. These funds shall be expended in accordance with G.S. 147-86.30(d) during the 2003-2005 fiscal biennium.

PART III. CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CURRENT OPERATIONS AND EXPANSION/HIGHWAY FUND

SECTION 3.1. Appropriations from the State Highway Fund for the maintenance and operation of the Department of Transportation, and for other purposes as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Fund	**2003-2004**	**2004-2005**
(1) Transportation Admin. (84210)	$70,917,203	$69,242,486
(2) Transportation Operations (84220)	28,190,393	28,150,605
(3) Transportation programs (84230)		
State Construction		
Secondary	89,600,000	90,590,000
Urban	14,000,000	14,000,000
Public access	2,000,000	2,000,000
Spot safety	9,100,000	9,100,000
Contingency	10,000,000	10,000,000
Federal Aid Match	4,160,000	4,280,000
Maintenance	600,933,217	576,859,889
Asphalt plant/OSHA	425,000	425,000
Capital	7,000,000	0
Ferry Operations	19,677,283	19,677,283
Aid to municipalities	89,600,000	90,590,000
Rail	15,090,919	15,531,153
Public transit	76,232,576	78,475,484
(4) Governor's highway safety (84240)	292,449	293,118
(5) Transportation regulation (84260)	100,255,703	100,323,363
(6) Reserves, transfers, other agencies (84270)	213,455,257	218,670,347
TOTAL	**1,350,930,000**	**1,328,208,728**

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

HIGHWAY FUND AVAILABILITY STATEMENT

SECTION 3.2. The Highway Fund availability used in developing the 2003-2005 biennial budget is shown below:

Highway Fund Budget Reform Statement	**2003-2004**	**2004-2005**
Beginning Credit Balance		-
Estimated Revenue	$ 1,350,930,000	$ 1,373,080,000
Estimated Reversions		-
Total Highway Fund Availability	**$ 1,350,930,000**	**$ 1,373,080,000**

PART IV. HIGHWAY TRUST FUND APPROPRIATIONS

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 4.1. Appropriations from the State Highway Trust Fund for the maintenance and operation of the Department of Transportation, and for other purposes

as enumerated, are made for the biennium ending June 30, 2005, according to the following schedule:

Current Operations – Highway Trust Fund	**2003-2004**	**2004-2005**
Intrastate System	$ 423,993,831	$ 459,363,570
Urban Loops	79,689,271	84,350,953
Aid to Municipalities	171,445,448	185,747,496
Total for Secondary Roads	44,486,843	48,197,953
Program Administration	38,001,482	39,636,698
Transfer to General Fund	252,422,125	231,774,330
GRAND TOTAL CURRENT OPERATIONS AND EXPANSION	**$ 1,010,039,000**	**$ 1,049,071,000**

PART V. BLOCK GRANTS

Requested by: Representatives Barnhart, Nye

DHHS BLOCK GRANTS

SECTION 5.1.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY SERVICES BLOCK GRANT		
01.	Community Action Agencies	$ 15,266,973
02.	Limited Purpose Agencies	848,165
03.	Department of Health and Human Services to administer and monitor the activities of the Community Services Block Grant	848,165
TOTAL COMMUNITY SERVICES BLOCK GRANT		$ 16,963,303
SOCIAL SERVICES BLOCK GRANT		
01.	County departments of social services (Transfer from TANF - $4,500,000)	$ 28,868,189
02.	Allocation for in-home services provided by county departments of social services	2,101,113
03.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services	3,234,601
04.	Division of Services for the Blind	3,105,711
05.	Division of Facility Services	426,836
06.	Division of Aging - Home and Community Care Block Grant	1,840,234
07.	Child Care Subsidies	3,000,000

08.	Division of Vocational Rehabilitation - United Cerebral Palsy	71,484
09.	State administration	1,693,368
10.	Child Medical Evaluation Program	238,321
11.	Adult day care services	2,155,301
12.	Comprehensive Treatment Services Program	422,003
13.	Department of Administration for the N.C. State Commission of Indian Affairs In-Home Services Program for the Elderly	203,198
14.	Division of Vocational Rehabilitation Services - Easter Seals Society	116,779
15.	UNC-CH CARES Program for training and consultation services	247,920
16.	Office of the Secretary - Office of Economic Opportunity for N.C. Senior Citizens' Federation for outreach services to low-income elderly persons	41,302
17.	Division of Social Services - Child Caring Agencies	1,500,000
18.	Division of Mental Health, Developmental Disabilities, and Substance Abuse Services - Developmentally Disabled Waiting List for services	5,000,000
19.	Transfer to Preventive Health Services Block Grant for HIV/AIDS education, counseling, and testing	145,819
20.	Division of Facility Services - Mental Health Licensure	213,128
21.	Transfer to the Division of Aging for training provided through Alzheimer's Associations	150,000
TOTAL SOCIAL SERVICES BLOCK GRANT		$ 54,775,307
LOW-INCOME ENERGY BLOCK GRANT		
01.	Energy Assistance Programs	$ 12,775,323
02.	Crisis Intervention	9,192,927
03.	Administration	2,957,339

04.	Weatherization Program	4,212,740
05.	Department of Administration - N.C. State Commission of Indian Affairs	54,840
06.	Heating Air Repair and Replacement Program	1,966,153
TOTAL LOW-INCOME ENERGY BLOCK GRANT		$ 31,159,322
MENTAL HEALTH SERVICES BLOCK GRANT		
01.	Provision of community-based services for severe and persistently mentally ill adults	$ 5,442,798
02.	Provision of community-based services to children	2,513,141
03.	Comprehensive Treatment Services Program for Children	1,500,000
04.	Administration	783,911
TOTAL MENTAL HEALTH SERVICES BLOCK GRANT		$ 10,239,850
SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		
01.	Provision of community-based alcohol and drug abuse services, tuberculosis services, and services provided by the Alcohol and Drug Abuse Treatment Centers	$ 18,901,711
02.	Continuation of services for pregnant women and women with dependent children	8,069,524
03.	Continuation of services to IV drug abusers and others at risk for HIV diseases	4,616,378
04.	Provision of services to children and adolescents	7,740,611
05.	Juvenile Services - Family Focus	851,156
06.	Allocation to the Division of Public Health for HIV/STD Risk Reduction Projects	383,980
07.	Allocation to the Division of Public Health for HIV/STD Prevention by County Health Departments	209,576

08.	Allocation to the Division of Public Health for the Maternal and Child Health Hotline	37,779
09.	Administration	2,596,307
TOTAL SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT		$ 43,407,022
CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		
01.	Child care subsidies	$154,713,475
02.	Quality and availability initiatives	16,449,256
03.	Administrative expenses	6,969,533
04.	Transfer from TANF Block Grant for child care subsidies	79,562,189
TOTAL CHILD CARE AND DEVELOPMENT FUND BLOCK GRANT		$257,694,453
TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		
01.	Work First Cash Assistance	$129,396,275
02.	Work First County Block Grants	94,653,315
03.	Transfer to the Child Care and Development Fund Block Grant for child care subsidies	79,562,189
04.	Child Care Subsidies for TANF Recipients	26,621,241
05.	Child Welfare Workers for local DSS	10,382,391
06.	Transfer to Social Services Block Grant for County Departments of Social Services for Children's Services	4,500,000
07.	Support Our Students – Department of Juvenile Justice and Delinquency Prevention	1,925,000
08.	Residential Substance Abuse Services for Women With Children	2,000,000
09.	Domestic Violence Services for Work First Families	1,200,000
10.	After-School Services for At-Risk Children	1,925,000

11.	Division of Social Services - Administration	400,000
12.	Child Welfare Training	1,600,000
13.	TANF Automation Projects	900,000
14.	Work First/ Boys and Girls Clubs	1,000,000
15.	Work Central Career Advancement Center	550,000
16.	WCH-Teen Pregnancy Prevention	570,000
17.	Transfer to Social Services Block Grant for Child Caring Institutions	1,500,000
18.	Special Children's Adoption Fund	2,000,000
19.	NC Fast Implementation	630,000
20.	Maternity Homes	838,000
TOTAL TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) BLOCK GRANT		$362,153,411

MATERNAL AND CHILD HEALTH BLOCK GRANT

01.	Healthy Mothers/Healthy Children Block Grants to Local Health Departments	9,838,074
02.	High-Risk Maternity Clinic Services, Perinatal Education and Training, Childhood Injury Prevention, Public Information and Education, and Technical Assistance to Local Health Departments	2,307,918
03.	Services to Children With Special Health Care Needs	5,078,647
TOTAL MATERNAL AND CHILD HEALTH BLOCK GRANT		$ 17,224,639

PREVENTIVE HEALTH SERVICES BLOCK GRANT

01.	Statewide Health Promotion Programs	$3,282,810
02.	Rape Crisis/Victims' Services Program - Council for Women	197,112
03.	Transfer from Social Services Block Grant - HIV/AIDS education, counseling, and testing	145,819

04.	Office of Minority Health	159,459
05.	Administrative Costs	108,546
TOTAL PREVENTIVE HEALTH SERVICES BLOCK GRANT		$3,893,746

SECTION 5.1.(b) Decreases in Federal Fund Availability. – If the United States Congress reduces federal fund availability in the Social Services Block Grant below the amounts appropriated in this section, then the Department of Health and Human Services shall allocate these decreases giving priority first to those direct services mandated by State or federal law, then to those programs providing direct services that have demonstrated effectiveness in meeting the federally and State-mandated services goals established for the Social Services Block Grant. The Department shall not include transfers from TANF for specified purposes in any calculations of reductions to the Social Services Block Grant.

If the United States Congress reduces the amount of TANF funds below the amounts appropriated in this section after the effective date of this act, then the Department shall allocate the decrease in funds after considering any underutilization of the budget and the effectiveness of the current level of services. Any TANF Block Grant fund changes shall be reported to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Decreases in federal fund availability shall be allocated for the Maternal and Child Health and Preventive Health Services federal block grants by the Department of Health and Human Services after considering the effectiveness of the current level of services.

SECTION 5.1.(c) Increases in Federal Fund Availability. – Any block grant funds appropriated by the United States Congress in addition to the funds specified in this act shall be expended by the Department of Health and Human Services, with the approval of the Office of State Budget and Management, provided the resultant increases are in accordance with federal block grant requirements and are within the scope of the block grant plan approved by the General Assembly.

SECTION 5.1.(d) Changes to the budgeted allocations to the block grants appropriated in this act and new allocations from the block grants not specified in this act shall be submitted to the Joint Legislative Commission on Governmental Operations for review prior to the change and shall be reported immediately to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(e) The Department of Health and Human Services may allow no-cost contract extensions for up to six months for nongovernmental grant recipients under the TANF Block Grant.

SECTION 5.1.(f) If federal funds are received under the Maternal and Child Health Block Grant for abstinence education, pursuant to section 912 of Public Law 104-193 (42 U.S.C. § 710), for the 2003-2004 fiscal year, then those funds shall be transferred to the State Board of Education to be administered by the Department of Public Instruction. The Department of Public Instruction shall use the funds to establish an Abstinence Until Marriage Education Program and shall delegate to one or more persons the responsibility of implementing the program and G.S. 115C-81(e1)(4). The Department of Public Instruction shall carefully and strictly follow federal guidelines in implementing and administering the abstinence education grant funds.

The Department of Health and Human Services shall contract for the follow-up testing involved with the Newborn Screening Program. The Department may contract for these services with an entity within or outside of the State; however, the

Department may only contract with an out-of-state entity if it can be demonstrated that there is a cost-savings associated with contracting with the out-of-state entity. The contract amount shall not exceed twenty-five thousand dollars ($25,000). The amount of the contract shall be covered by funds in the Maternal and Child Health Block Grant.

SECTION 5.1.(g) The sum of four hundred thousand dollars ($400,000) appropriated in this section to the Department of Health and Human Services in the Child Care and Development Fund Block Grant shall be used to develop and implement a Medical Child Care Pilot open to children throughout the State.

SECTION 5.1.(h) Payment for subsidized child care services provided with federal TANF funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 5.1.(i) The sum of four hundred thousand dollars ($400,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to support administration of TANF-funded programs.

SECTION 5.1.(j) The sum of two million dollars ($2,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2003-2004 fiscal year shall be used to provide regional residential substance abuse treatment and services for women with children. The Department of Health and Human Services, the Division of Social Services, and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, in consultation with local departments of social services, area mental health programs, and other State and local agencies or organizations, shall coordinate this effort in order to facilitate the expansion of regionally based substance abuse services for women with children. These services shall be culturally appropriate and designed for the unique needs of TANF women with children.

In order to expedite the expansion of these services, the Secretary of the Department of Health and Human Services may enter into contracts with service providers.

The Department of Health and Human Services, the Division of Social Services, and the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall report on their progress in complying with this subsection no later than October 1, 2003, and March 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall include all of the following:

(1) The number and location of additional beds created.
(2) The types of facilities established.
(3) The delineation of roles and responsibilities at the State and local levels.
(4) Demographics of the women served, the number of women served, and the cost per client.
(5) Demographics of the children served, the number of children served, and the services provided.
(6) Job placement services provided to women.
(7) A plan for follow-up and evaluation of services provided with an emphasis on outcomes.
(8) Barriers identified to the successful implementation of the expansion.
(9) Identification of other resources needed to appropriately and efficiently provide services to Work First recipients.
(10) Other information as requested.

SECTION 5.1.(k) The sum of one million nine hundred twenty-five thousand dollars ($1,925,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services and transferred to the Department of

Juvenile Justice and Delinquency Prevention for the 2003-2004 fiscal year shall be used to support the existing Support Our Students Program and to expand the Program statewide, focusing on low-income communities in unserved areas. These funds shall not be used for administration of the Program.

SECTION 5.1.(l) The sum of one million two hundred thousand dollars ($1,200,000) appropriated under this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to provide domestic violence services to Work First recipients. These funds shall be used to provide domestic violence counseling, support, and other direct services to clients. These funds shall not be used to establish new domestic violence shelters or to facilitate lobbying efforts. The Division of Social Services may use up to seventy-five thousand dollars ($75,000) in TANF funds to establish one administrative position within the Division of Social Services to implement this subsection.

Each county department of social services and the local domestic violence shelter program serving the county shall jointly develop a plan for utilizing these funds. The plan shall include the services to be provided and the manner in which the services shall be delivered. The county plan shall be signed by the county social services director or the director's designee and the domestic violence program director or the director's designee and submitted to the Division of Social Services by December 1, 2003. The Division of Social Services, in consultation with the Council for Women, shall review the county plans and shall provide consultation and technical assistance to the departments of social services and local domestic violence shelter programs, if needed.

The Division of Social Services shall allocate these funds to county departments of social services according to the following formula: (i) each county shall receive a base allocation of five thousand dollars ($5,000) and (ii) each county shall receive an allocation of the remaining funds based on the county's proportion of the statewide total of the Work First caseload as of July 1, 2003, and the county's proportion of the statewide total of the individuals receiving domestic violence services from programs funded by the Council for Women as of July 1, 2003. The Division of Social Services may reallocate unspent funds to counties that submit a written request for additional funds.

The Department of Health and Human Services shall report on the uses of these funds no later than March 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(m) The sum of one million nine hundred twenty-five thousand dollars ($1,925,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, shall be used to expand after-school programs and services for at-risk children. The Department shall develop and implement a grant program to award grants to community-based programs that demonstrate the ability to reach children at risk of teen pregnancy and school dropout. The Department shall award grants to community-based organizations that demonstrate the ability to develop and implement linkages with local departments of social services, area mental health programs, schools, and other human services programs in order to provide support services and assistance to the child and family. These funds may be used to establish one position within the Division of Social Services to coordinate at-risk after-school programs and shall not be used for other State administration. The Department shall report no later than March 1, 2003, on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Subcommittee on Health and Human Services, and the Fiscal Research Division.

SECTION 5.1.(n) The sum of ten million three hundred eighty-two thousand three hundred ninety-one dollars ($10,382,391) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of

Social Services, for the 2003-2004 fiscal year for Child Welfare Improvements shall be allocated to the county departments of social services for hiring or contracting staff to investigate and provide services in Child Protective Services cases; to provide foster care and support services; to recruit, train, license, and support prospective foster and adoptive families; and to provide interstate and post-adoption services for eligible families.

SECTION 5.1.(o) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this section in the Mental Health Block Grant to the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, for the 2003-2004 fiscal year and the sum of four hundred twenty-two thousand three dollars ($422,003) appropriated in this section in the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for the 2003-2004 fiscal year shall be used to continue a Comprehensive Treatment Services Program for Children in accordance with Section 21.60 of S.L. 2001-424, as amended.

SECTION 5.1.(p) The sum of one million six hundred thousand dollars ($1,600,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Division of Social Services, for fiscal year 2003-2004 shall be used to support various child welfare training projects as follows:

(1) Provide a regional training center in southeastern North Carolina.
(2) Support the Masters Degree in Social Work/Baccalaureate Degree in Social Work Collaborative.
(3) Provide training for residential child care facilities.
(4) Provide for various other child welfare training initiatives.

SECTION 5.1.(q) If funds appropriated through the Child Care and Development Fund Block Grant for any program cannot be obligated or spent in that program within the obligation or liquidation periods allowed by the federal grants, the Department may move funds to child care subsidies, unless otherwise prohibited by federal requirements of the grant, in order to use the federal funds fully.

SECTION 5.1.(r) The sum of eight hundred thirty-eight thousand dollars ($838,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services shall be used to purchase services at maternity homes throughout the State.

SECTION 5.1.(s) The sum of two million dollars ($2,000,000) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services, Special Children Adoption Fund, for the 2003-2004 fiscal year shall be used to implement this subsection. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services program. No local match shall be required as a condition for receipt of these funds.

SECTION 5.1.(t) The sum of one million five hundred thousand dollars ($1,500,000) appropriated in this act in the TANF Block Grant and transferred to the Social Services Block Grant to the Department of Health and Human Services, Division of Social Services, for child caring agencies for the 2003-2004 fiscal year shall be allocated to the State Private Child Caring Agencies Fund. These funds shall be combined with all other funds allocated to the State Private Child Caring Agencies Fund for the reimbursement of the State's portion of the cost of care for the placement of certain children by the county departments of social services who are not eligible for federal IV-E funds. These funds shall not be used to match other federal funds.

SECTION 5.1.(u) The sum of one million dollars ($1,000,000) appropriated in this section to the Department of Health and Human Services in the TANF Block

Grant for Boys and Girls Clubs shall be used to make grants for approved programs. The Department of Health and Human Services, in accordance with federal regulations for the use of TANF Block Grant funds, shall administer a grant program to award funds to the Boys and Girls Clubs across the State in order to implement programs that improve the motivation, performance, and self-esteem of youths and to implement other initiatives that would be expected to reduce school dropout and teen pregnancy rates. The Department shall encourage and facilitate collaboration between the Boys and Girls Clubs and Support Our Students, Communities in Schools, and similar programs to submit joint applications for the funds if appropriate.

Requested by: Representatives Fox, West

NER BLOCK GRANT FUNDS

SECTION 5.2.(a) Appropriations from federal block grant funds are made for the fiscal year ending June 30, 2004, according to the following schedule:

COMMUNITY DEVELOPMENT BLOCK GRANT

01.	State Administration	$1,000,000
02.	Urgent Needs and Contingency	50,000
03.	Scattered Site Housing	13,200,000
04.	Economic Development	
	a. Administered by Rural Economic Development Center, Inc.	2,250,000
	b. Administered by Finance Center of the Department of Commerce	8,710,000
05.	Community Revitalization	12,200,000
06.	State Technical Assistance	450,000
07.	Housing Development	2,000,000
08.	Infrastructure	5,140,000
TOTAL COMMUNITY DEVELOPMENT BLOCK GRANT – 2004 Program Year		$45,000,000

SECTION 5.2.(b) Decreases in Federal Fund Availability. – If federal funds are reduced below the amounts specified above after the effective date of this act, then every program in each of these federal block grants shall be reduced by the same percentage as the reduction in federal funds.

SECTION 5.2.(c) Increases in Federal Fund Availability for Community Development Block Grant. – Any block grant funds appropriated by the Congress of the United States in addition to the funds specified in this section shall be expended as follows: Each program category under the Community Development Block Grant shall be increased by the same percentage as the increase in federal funds.

SECTION 5.2.(d) Limitations on Community Development Block Grant Funds. – Of the funds appropriated in this section for the Community Development Block Grant, the following shall be allocated in each category for each program year: up to one million dollars ($1,000,000) may be used for State administration; not less than fifty thousand ($50,000) may be used for Urgent Needs and Contingency; up to thirteen million two hundred thousand dollars ($13,200,000) may be used for Scattered

Site Housing; up to ten million nine hundred sixty thousand dollars ($10,960,000) may be used for Economic Development, including Urban Redevelopment grants; not less than twelve million two hundred thousand dollars ($12,200,000) shall be used for Community Revitalization; up to four hundred fifty thousand dollars ($450,000) may be used for State Technical Assistance; up to two million dollars ($2,000,000) may be used for Housing Development; up to five million one hundred forty thousand dollars ($5,140,000) may be used for Infrastructure. If federal block grant funds are reduced or increased by the Congress of the United States after the effective date of this act, then these reductions or increases shall be allocated in accordance with subsection (b) or (c) of this section, as applicable.

SECTION 5.2.(e) Increase Capacity for Nonprofit Organizations. – Assistance to nonprofit organizations to increase their capacity to carry out CDBG-eligible activities in partnership with units of local government is an eligible activity under any program category in accordance with federal regulations. Capacity building grants may be made from funds available within program categories, program income, or unobligated funds.

SECTION 5.2.(f) Up to four million dollars ($4,000,000) of funds for Economic Development may be used for Urgent Needs and Contingency for drought recovery.

PART VI. GENERAL PROVISIONS

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

SPECIAL FUNDS, FEDERAL FUNDS, AND DEPARTMENTAL RECEIPTS, AND AUTHORIZATION FOR EXPENDITURES

SECTION 6.1. There is appropriated out of the cash balances, federal receipts, and departmental receipts available to each department, sufficient amounts to carry on authorized activities included under each department's operations. All these cash balances, federal receipts, and departmental receipts shall be expended and reported in accordance with provisions of the Executive Budget Act, except as otherwise provided by statute, and shall be expended at the level of service authorized by the General Assembly. If the receipts, other than gifts and grants that are unanticipated and are for a specific purpose only, collected in a fiscal year by an institution, department, or agency exceed the receipts certified for it in General Fund Codes or Highway Fund Codes, then the Director of the Budget shall decrease the amount he allots to that institution, department, or agency from appropriations from that Fund by the amount of the excess, unless the Director of the Budget finds that the appropriations from the Fund are necessary to maintain the function that generated the receipts at the level anticipated in the certified Budget Codes for that Fund.

Funds that become available from overrealized receipts in General Fund Codes and Highway Fund Codes may be used for new permanent employee positions or to raise the salary of existing employees only as follows:

(1) As provided in G.S. 116-30.1, 116-30.2, 116-30.3, 116-30.4; or

(2) If the Director of the Budget finds that the new permanent employee positions are necessary to maintain the function that generated the receipts at the level anticipated in the certified budget codes for that Fund. The Director of the Budget shall notify the President Pro Tempore of the Senate, the Speakers of the House of Representatives, the Chairs of the Appropriations Committees of the Senate and the House of Representatives, and the Fiscal Research Division of the Legislative Services Office that he intends to make such a finding at least 10 days before he makes the finding. The notification shall set out the reason the positions are necessary to maintain the function.

The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office within 30 days after the end of each quarter the General Fund Codes or Highway Fund Codes that did not result in a corresponding reduced allotment from appropriations from that Fund.

This section shall expire June 30, 2004.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

NO EXPENDITURE OF UNBUDGETED RECEIPTS

SECTION 6.2. Effective July 1, 2004, G.S. 143-27 reads as rewritten:

"**§ 143-27. Appropriations to educational, charitable and correctional institutions are in addition to receipts by them.**

All appropriations now or hereafter made to the educational institutions, and to the charitable and correctional institutions, and to such other departments and agencies of the State as receive moneys available for expenditure by them are declared to be in addition to such receipts of said institutions, departments or agencies, and are to be available as and to the extent that such receipts are insufficient to meet the costs anticipated in the budget authorized by the General Assembly, of maintenance of such institutions, departments, and agencies; Provided, however, that if the receipts, other than gifts and grants that are unanticipated and are for a specific purpose only, collected in a fiscal year by an institution, department, or agency exceed the receipts certified for it in General Fund Codes, Highway Fund Codes, or Wildlife Fund Codes, the Director of the Budget shall decrease the amount he allots to that institution, department, or agency from appropriations from that Fund by the amount of the ~~excess, unless the Director of the Budget has consulted with the Joint Legislative Commission on Governmental Operations and unless the Director of the Budget finds that (i) the appropriations from that Fund are necessary to maintain the function that generated the receipts at the level anticipated in the certified Budget Codes for that Fund and (ii) the funds may be expended in accordance with G.S. 143-23.~~excess. Notwithstanding the foregoing provisions of this section, receipts within The University of North Carolina realized in excess of budgeted levels shall be available, up to a maximum of ten percent (10%) above budgeted levels, for each Budget Code, in addition to appropriations, to support the operations generating such receipts, as approved by the Director of the Budget.

The Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division of the Legislative Services Office within 30 days after the end of each quarter on expenditures of receipts in excess of the amounts certified in General Fund Codes, Highway Fund Codes, or Wildlife Fund Codes, that did not result in a corresponding reduced allotment from appropriations from that Fund."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

PREPARE TO BUDGET PAYROLL AT ACTUAL COST

SECTION 6.3. The Office of State Budget and Management shall prepare and present to the General Assembly no later than 10 days after the convening of the 2004 Regular Session of the 2003 General Assembly such adjustments as are necessary to rebudget the payroll costs of State departments, agencies, and institutions in fiscal year 2004-2005 at levels that reflect actual payroll requirements. Proposed adjustments shall include changes in related expenditure lines that have been underbudgeted with the expectation that shortfalls could be met with lapsed salary funds.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CONTINGENCY AND EMERGENCY FUND ALLOCATIONS

SECTION 6.4. Funds in the amount of five million dollars ($5,000,000) for the 2003-2004 fiscal year and five million dollars (5,000,000) for the 2004-2005 fiscal year appropriated in this act to the Contingency and Emergency Fund may be expended only for the purposes outlined in G.S. 143-23(a1)(2).

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CHANGE EFFECTIVE DATE - PRIVATE PLATES ON PUBLIC VEHICLES

SECTION 6.5.(a) The introductory language to Section 6.14(b) of S.L. 2001-424 reads as rewritten:

"**SECTION 6.14.(b)** Effective October 1, ~~2003,~~ 2004, G.S. 20-39.1(b), as enacted in subsection (a) of this section, reads as rewritten:".

SECTION 6.5.(b) Section 6.14(h) of S.L. 2001-424 reads as rewritten:

"**SECTION 6.14.(h)** Subsection (b) of this section becomes effective October 1, ~~2003.~~ 2004. Except as provided in subsection (c) of this section, the remainder of this section is effective when it becomes law."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

HIPAA RESERVE

SECTION 6.6. Funds in the amount of two million dollars ($2,000,000) are appropriated in this act to the Reserve to Implement HIPAA. This reserve shall be located in the Office of State Budget and Management.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

HIPAA IMPLEMENTATION

SECTION 6.7. The Governor or the Governor's designee shall coordinate the State's implementation of the federal Health Insurance Portability and Accountability Act ("HIPAA"), Title II Subtitle F (Administrative Simplification). Specifically, the scope of coordination shall include the following:

(1) Coordinating correspondence between the State and the United States government on all matters relating to HIPAA Administrative Simplification requirements under Subtitle F of Title II of HIPAA.

(2) Coordinating official State comments on proposed federal regulations and the federal rule-making process pertaining to HIPAA Administrative Simplification.

(3) Obtaining from the North Carolina Attorney General legal interpretations of federal rules pertaining to HIPAA Administrative Simplification compliance, implementation, and enforcement.

(4) Establishing deadlines and benchmarks for State agencies to provide the necessary data required to monitor compliance with HIPAA Administrative Simplification requirements.

The Information Resource Management Commission ("IRMC") shall cooperate with the Governor to ensure that IRMC policies and activities and State HIPAA implementation are complementary to ensure effective and efficient monitoring of HIPAA Administrative Simplification requirements.

SECTION 6.7. The University of North Carolina System and the Teachers' and State Employees' Comprehensive Major Medical Plan may develop and implement HIPAA Administrative Simplification compliance and shall report bimonthly to the Governor on the status of implementation.

SECTION 6.7. Funds appropriated to the Reserve for Health Insurance Portability and Accountability Compliance that are unexpended and unencumbered at

the end of the fiscal year shall not revert to the General Fund but shall remain in the Reserve for use in accordance with the purposes of the Reserve.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

STATE SURPLUS REAL PROPERTY SYSTEM

SECTION 6.8.(a) The Department of Administration, in consultation with the Office of State Budget and Management and other affected State departments, shall develop and implement a uniform real property disposal system that will continuously identify, evaluate, and dispose of all unused or underused State-owned land and buildings. In order to comply with this section, the Department of Administration, in consultation with the Office of State Budget and Management and other affected State departments, shall do all of the following:

(1) Review the current inventory of State-owned land and buildings for accuracy and completeness.

(2) Determine how and when State-owned land and buildings should be declared surplus.

(3) Determine whether State agencies have the authority to retain funds from the disposal of surplus real property and whether this is consistent among agencies and conducive to the disposal of unneeded property.

(4) Consider the use of private real estate brokers, auction, and any other method determined to be suitable in order to efficiently and effectively dispose of surplus real property.

(5) Review the real property held by a selected number of State agencies to determine whether the agency has any property that meets the criteria as set forth in this section.

(6) Assess the need for additional staff to effectively administer the system.

(7) Examine current State law to assess the need for changes in order to support a uniform system to identify, evaluate, and dispose of all unused or underused State-owned land and buildings.

The Department may retain consultants to assist the accomplishment of the objectives set forth in subdivisions (1) through (7) of this subsection. The Department shall report its findings and recommendations to the General Assembly no later than March 1, 2004.

SECTION 6.8.(b) There is established the Real Property Management Advisory Council in the Department of Administration. The Advisory Council shall examine the use of State-owned real property and shall advise the Secretary of Administration as to the identification of those properties that are unneeded or underutilized. The Advisory Council shall consist of the following members:

(1) Four members appointed by the Speaker of the House of Representatives, including one member who shall be designated as House cochair.

(2) Four members appointed by the President Pro Tempore of the Senate, including one member who shall be designated as Senate cochair.

(3) Four members appointed by the Governor.

The Advisory Council shall meet upon the call of the cochairs.

Members of the Advisory Council shall serve for a term of two years beginning July 1, 2003, and shall receive subsistence and travel expenses as provided in G.S. 138-5. Staff support to the Advisory Council shall be provided by the Department of Administration.

SECTION 6.8.(c) Of funds appropriated in this act to the Department of Administration, a sum not exceeding two hundred fifty thousand dollars ($250,000) shall be used to accomplish the purposes set forth in this section.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

EXPEDITE SALE OF SURPLUS LAND

SECTION 6.9. The Department of Administration shall work with all State departments, agencies, and institutions, including the Department of Transportation and The University of North Carolina, to identify surplus state-owned real property and to expedite the sale of that property. Unless otherwise provided by law, the clear proceeds of the sale of surplus real property shall be credited to the General Fund. It is the intent of the General Assembly that these proceeds shall partially offset debt service costs occasioned by the use of Certificates of Participation to finance the repair and renovation of State buildings. The Department of Administration shall report to the Joint Legislative Commission on Governmental Operations no later than December 1, 2003, regarding the extraordinary measures being taken to comply with this provision.

Requested by: Representatives Culpepper, Crawford, Earle, Owens, Wright

GOVERNMENT AGENCIES TO USE PRODUCTS OF RECYCLED STEEL

SECTION 6.10. G.S. 130A-309.14 is amended by adding a new subsection to read:

"(l) Any State agency or agency of a political subdivision of the State that is using State funds, or any person contracting with any agency with respect to work performed under contract, shall procure products of recycled steel if all of the following conditions are satisfied:

(1) The product must be acquired competitively within a reasonable time frame.

(2) The product must meet appropriate performance standards.

(3) The product must be acquired at a reasonable price."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

IMPLEMENT A PILOT PROJECT FOR LONG-TERM CARE COMMUNITY SERVICE COORDINATION

SECTION 6.11.(a) In accordance with the recommendations in the final report from the Institute of Medicine Task Force on Long-Term Care and the study report recommendations resulting from S.L. 2001-491, Part XXII, the Department of Health and Human Services shall implement a communications and coordination initiative to support local coordination of long-term care and shall pilot the establishment of local lead agencies to facilitate the long-term care coordination process at the county or regional level. For those counties that voluntarily participate, the local long-term care coordination initiative shall aid in the development of core services, coordinate local services, and streamline access to services. The initiative shall eliminate fragmentation and barriers to information and services; provide a seamless connection among State agencies and local entities, regardless of funding sources; and allow consumers to efficiently and effectively navigate among long-term care services.

SECTION 6.11.(b) The Department shall submit an interim report on the pilot project for local long-term care coordination to the North Carolina Study Commission on Aging by October 1, 2004, and a final report by October 1, 2005.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

JOINT COMMITTEE ON EXECUTIVE BUDGET ACT REVISIONS

SECTION 6.12.(a) There is created a Joint Committee on Executive Budget Act Revisions. The Committee shall be composed of 12 members, six of whom shall be Representatives appointed by the Speaker of the House of Representatives and six of whom shall be Senators appointed by the President Pro Tempore of the Senate. The

Speaker of the House of Representatives shall designate one member as cochair and the President Pro Tempore of the Senate shall designate one member as cochair. The Committee shall meet upon call of the cochairs.

SECTION 6.12.(b) The Committee shall consider contemporary financial management practices in reviewing the current budget process. The Committee shall recommend any changes to the Executive Budget Act that are needed to modernize and improve the processes of budget preparation, budget adoption, budget execution, and program evaluation. The Committee shall report its recommendations to the 2003 General Assembly on or before April 1, 2004.

SECTION 6.12.(c) The Legislative Services Office shall assign professional and clerical staff to assist the Committee in its work. Members of the Committee shall receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1, 138-5, or 138-6, as appropriate.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

ISSUE REQUEST FOR INFORMATION/ENERGY MANAGEMENT

SECTION 6.13. The Department of Administration (Department) shall issue a Request for Information (RFI) to identify companies interested in providing, and qualified to provide, comprehensive energy management services to State departments, agencies, and institutions. The Department shall evaluate information collected through the RFI to determine the:

(1) Number of qualified companies interested in doing energy management business with State government.
(2) Types of energy management services available and applicable to State-owned facilities.
(3) Long-term cost savings potentially available to the State from the implementation of various energy management services.
(4) Modifications to State law or regulations that may be necessary to acquire and utilize successfully energy management services.

By March 1, 2004, the Department shall report its findings, conclusions, and recommendations to the Chairs of the Senate and House of Representatives Appropriations Committees.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

BLUE RIBBON COMMISSION ON MEDICAID REFORM

SECTION 6.14.(a) There is established the North Carolina Blue Ribbon Commission on Medicaid Reform (Commission). The Commission shall examine the State's Medicaid program and make comprehensive recommendations for fundamental reform. The Commission shall consider:

(1) Methods to responsibly restrain the growth in Medicaid spending.
(2) Best practices in both the public and private sectors in managing and administering health care.
(3) Options for maximizing existing resources while controlling Medicaid program costs.
(4) Current array of services available within the State Medicaid program to determine the appropriateness of the type, frequency, and duration of those services.
(5) Opportunities for long-term, systemic change in the Medicaid program through the use of federal waivers and other management tools.
(6) Any other matter relating to reform of the State Medicaid program.

SECTION 6.14.(b) The Commission shall consist of 12 members appointed as follows:

(1) Six members appointed by the Speaker of the House of Representatives, including one member who shall be designated as House Cochair. No more than three may be legislators.

(2) Six members appointed by the President Pro Tempore of the Senate, including one member who shall be designated as Senate Cochair. No more than three may be legislators.

The appointing officer shall fill vacancies. The Commission shall meet at the call of the Cochairs. Members of the Commission shall receive per diem, subsistence, and travel expenses as provided in G.S. 120-3.1, G.S. 138-5, or G.S. 138-6, as appropriate. The Commission may contract for consultant services as provided in G.S. 120-32.02. Upon approval of the Legislative Services Commission, the Legislative Services Officer shall assign professional staff to assist the Commission in its work. Clerical staff shall be furnished to the Commission through the offices of the House of Representatives and Senate Directors of Legislative Assistants. The Commission may meet in the Legislative Building or the Legislative Office Building. The Commission may exercise all of the powers provided under G.S. 120-19 through G.S. 120-19.4 while in the discharge of its official duties.

SECTION 6.14.(c) By April 1, 2004, the Commission shall make an interim report to the 2003 General Assembly. The Commission shall make its final report to the 2005 General Assembly by February 1, 2005, and shall expire upon submitting that report.

Requested by: Representatives Howard, Crawford, Sherrill, Baker

COMPETITIVELY BID BEVERAGES CONTRACTS

SECTION 6.15.(a) Article 3 of Chapter 143 of the General Statutes is amended by adding the following new section to read:

"**§ 143-64. Beverages contracts.**

Notwithstanding any other provision of law, local school administrative units, community colleges, and constituent institutions of The University of North Carolina shall competitively bid contracts that involve the sale of juice or bottled water. The local school administrative units, community colleges, and constituent institutions may set quality standards for these beverages, and these standards may be used to accept or reject a bid."

SECTION 6.15.(b) This section is effective when it becomes law and applies to contracts bid on or after that date.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND

SECTION 6.16.(a) G.S. 116-41.15 reads as rewritten:

"**§ 116-41.15. Distinguished Professors Endowment Trust Fund; allocation; administration.**

(a) As used in this Part, "focused growth institution" means Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical University, North Carolina Central University, the University of North Carolina at Pembroke, Western Carolina University, and Winston-Salem State University. As used in this Part, "special needs institution" means the North Carolina School of the Arts and the University of North Carolina at Asheville.

(b) For constituent institutions other than focused growth institutions and special needs institutions, ~~The~~the amount appropriated to the trust shall be allocated by the Board as follows:

(1) On the basis of one three hundred thirty-four thousand dollar ($334,000) challenge grant for each six hundred sixty-six thousand dollars ($666,000) raised from private sources; or

(2) On the basis of one one hundred sixty-seven thousand dollar ($167,000) challenge grant for each three hundred thirty-three thousand dollars ($333,000) raised from private sources.

If an institution chooses to pursue the use of the allocated challenge grant funds described in either subdivision (1) or subdivision (2) of this ~~section,~~subsection, the funds shall be matched on a two-to-one basis.

(c) For focused growth institutions and special needs institutions, subsection (b) of this section shall be applied such that the amount appropriated to the trust shall be allocated by the Board on a one-to-one basis instead of a one-to-two basis.

(d) Matching funds shall come from contributions made after July 1, 1985, and pledged for the purposes specified by G.S. 116-41.14. Each participating constituent institution's board of trustees shall establish its own Distinguished Professors Endowment Trust Fund, and shall maintain it pursuant to the provision of G.S. 116-36 to function as a depository for private contributions and for the State matching funds for the challenge grants. The State matching funds shall be transferred to the constituent institution's Endowment Fund upon notification that the institution has received and deposited the appropriate amount required by this section in its own Distinguished Professors Endowment Trust Fund. Only the net income from that account shall be expended in support of the distinguished professorship thereby created."

SECTION 6.16.(b) G.S. 116-41.16 reads as rewritten:

"**§ 116-41.16. Distinguished Professors Endowment Trust Fund; contribution commitments.**

(a) For constituent institutions other than focused growth institutions and special needs institutions, ~~Contributions~~ contributions may also be eligible for matching if there is:

(1) A commitment to make a donation of at least six hundred sixty-six thousand dollars ($666,000), as prescribed by G.S. 143-31.4, and an initial payment of one hundred eleven thousand dollars ($111,000) to receive a grant described in G.S. 116-41.15(b)(1); or

(2) A commitment to make a donation of at least three hundred thirty-three thousand dollars ($333,000), as prescribed by G.S. 143-31.4, and an initial payment of fifty-five thousand five hundred dollars ($55,500) to receive a grant described in G.S. 116-41.15(b)(2);

and if the initial payment is accompanied by a written pledge to provide the balance within five years after the date of the initial payment. Each payment on the balance shall be no less than the amount of the initial payment and shall be made on or before the anniversary date of the initial payment. Pledged contributions may not be matched prior to the actual collection of the total funds. Once the income from the institution's Distinguished Professors Endowment Trust Fund can be effectively used pursuant to G.S. 116-41.17, the institution shall proceed to implement plans for establishing an endowed chair.

(b) For focused growth institutions and special needs institutions, subsection (a) of this section is modified such that contributions may be eligible for matching based on a schedule to be adopted by the Board of Governors such that at least one-sixth of the commitment will be donated each year."

PART VII. PUBLIC SCHOOLS

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

TEACHER SALARY SCHEDULES

SECTION 7.1.(a) Effective for the 2003-2004 school year, the Director of the Budget shall transfer from the Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools for the 2003-2004 fiscal year funds necessary to implement the teacher salary schedule set out in subsection (b) of this section, including funds for the employer's retirement and social security contributions and

funds for annual longevity payments at one and one-half percent (1.5%) of base salary for 10 to 14 years of State service, two and twenty-five hundredths percent (2.25%) of base salary for 15 to 19 years of State service, three and twenty-five hundredths percent (3.25%) of base salary for 20 to 24 years of State service, and four and one-half percent (4.5%) of base salary for 25 or more years of State service, commencing July 1, 2003, for all teachers whose salaries are supported from the State's General Fund. These funds shall be allocated to individuals according to rules adopted by the State Board of Education. The longevity payment shall be paid in a lump sum once a year.

SECTION 7.1.(b) For the 2003-2004 school year, the following monthly salary schedules shall apply to certified personnel of the public schools who are classified as teachers. The schedule contains 30 steps with each step corresponding to one year of teaching experience.

2003-2004 MONTHLY SALARY SCHEDULE
"A" TEACHERS

Years of Experience	"A" Teachers	NBPTS Certification
0	$2,525	N/A
1	$2,567	N/A
2	$2,611	N/A
3	$2,764	$3,096
4	$2,904	$3,252
5	$3,036	$3,400
6	$3,164	$3,544
7	$3,266	$3,658
8	$3,314	$3,712
9	$3,362	$3,765
10	$3,412	$3,821
11	$3,461	$3,876
12	$3,511	$3,932
13	$3,561	$3,988
14	$3,614	$4,048
15	$3,667	$4,107
16	$3,722	$4,169
17	$3,777	$4,230
18	$3,834	$4,294
19	$3,892	$4,359
20	$3,950	$4,424
21	$4,011	$4,492
22	$4,072	$4,561
23	$4,136	$4,632
24	$4,200	$4,704
25	$4,264	$4,776
26	$4,330	$4,850
27	$4,398	$4,926
28	$4,467	$5,003
29	$4,538	$5,083
30+	$4,538	$5,083

2003-2004 MONTHLY SALARY SCHEDULE
"M" TEACHERS

Years of Experience	"M" Teachers	NBPTS Certification
0	$2,778	N/A
1	$2,824	N/A
2	$2,872	N/A

3	$3,040	$3,405
4	$3,194	$3,577
5	$3,340	$3,741
6	$3,480	$3,898
7	$3,593	$4,024
8	$3,645	$4,082
9	$3,698	$4,142
10	$3,753	$4,203
11	$3,807	$4,264
12	$3,862	$4,325
13	$3,917	$4,387
14	$3,975	$4,452
15	$4,034	$4,518
16	$4,094	$4,585
17	$4,155	$4,654
18	$4,217	$4,723
19	$4,281	$4,795
20	$4,345	$4,866
21	$4,412	$4,941
22	$4,479	$5,016
23	$4,550	$5,096
24	$4,620	$5,174
25	$4,690	$5,253
26	$4,763	$5,335
27	$4,838	$5,419
28	$4,914	$5,504
29	$4,992	$5,591
30+	$4,992	$5,591

SECTION 7.1.(c) Certified public school teachers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers. Certified public school teachers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified personnel of the public schools who are classified as "M" teachers.

SECTION 7.1.(d) Effective for the 2003-2004 school year, the first step of the salary schedule for school psychologists shall be equivalent to Step 5, corresponding to five years of experience, on the salary schedule established in this section for certified personnel of the public schools who are classified as "M" teachers. Certified psychologists shall be placed on the salary schedule at an appropriate step based on their years of experience. Certified psychologists shall receive longevity payments based on years of State service in the same manner as teachers.

Certified psychologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for certified psychologists. Certified psychologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for certified psychologists.

SECTION 7.1.(e) Effective for the 2003-2004 school year, speech pathologists who are certified as speech pathologists at the masters degree level and audiologists who are certified as audiologists at the masters degree level and who are

employed in the public schools as speech and language specialists and audiologists shall be paid on the school psychologist salary schedule.

Speech pathologists and audiologists with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided for speech pathologists and audiologists. Speech pathologists and audiologists with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for speech pathologists and audiologists.

SECTION 7.1.(f) Certified school nurses who are employed in the public schools as nurses shall be paid on the "M" salary schedule.

SECTION 7.1.(g) As used in this section, the term "teacher" shall also include instructional support personnel.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

SCHOOL-BASED ADMINISTRATOR SALARY SCHEDULE

SECTION 7.2.(a) Effective for the 2003-2004 school year, the Director of the Budget shall transfer from Reserve for Experience Step Salary Increase for Teachers and Principals in Public Schools for the 2003-2004 fiscal year funds necessary to implement the salary schedule for school-based administrators as provided in this section. These funds shall be used for State-paid employees only.

SECTION 7.2.(b) The base salary schedule for school-based administrators shall apply only to principals and assistant principals. The base salary schedule for the 2003-2004 fiscal year, commencing July 1, 2003, is as follows:

2003-2004

PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES

CLASSIFICATION

Yrs of Exp	Assistant Principal	Prin I (0-10)	Prin II (11-21)	Prin III (22-32)	Prin IV (33-43)
0-4	$3,226	-	-	-	-
5	$3,373	-	-	-	-
6	$3,515	-	-	-	-
7	$3,629	-	-	-	-
8	$3,681	$3,681	-	-	-
9	$3,735	$3,735	-	-	-
10	$3,791	$3,791	$3,845	-	-
11	$3,845	$3,845	$3,901	-	-
12	$3,901	$3,901	$3,956	$4,015	-
13	$3,956	$3,956	$4,015	$4,074	$4,135
14	$4,015	$4,015	$4,074	$4,135	$4,197
15	$4,074	$4,074	$4,135	$4,197	$4,259
16	$4,135	$4,135	$4,197	$4,259	$4,324
17	$4,197	$4,197	$4,259	$4,324	$4,388
18	$4,259	$4,259	$4,324	$4,388	$4,456
19	$4,324	$4,324	$4,388	$4,456	$4,524
20	$4,388	$4,388	$4,456	$4,524	$4,596
21	$4,456	$4,456	$4,524	$4,596	$4,666
22	$4,524	$4,524	$4,596	$4,666	$4,737
23	$4,596	$4,596	$4,666	$4,737	$4,811
24	$4,666	$4,666	$4,737	$4,811	$4,886
25	$4,737	$4,737	$4,811	$4,886	$4,963
26	$4,811	$4,811	$4,886	$4,963	$5,042
27	$4,886	$4,886	$4,963	$5,042	$5,143

28	$4,963	$4,963	$5,042	$5,143	$5,246
29	$5,042	$5,042	$5,143	$5,246	$5,351
30	$5,143	$5,143	$5,246	$5,351	$5,458
31	$5,246	$5,246	$5,351	$5,458	$5,567
32	-	$5,351	$5,458	$5,567	$5,678
33	-	-	$5,567	$5,678	$5,792
34	-	-	$5,678	$5,792	$5,908
35	-	-	-	$5,908	$6,026
36	-	-	-	$6,026	$6,147
37	-	-	-	-	$6,270

2003-2004
PRINCIPAL AND ASSISTANT PRINCIPAL SALARY SCHEDULES
CLASSIFICATION

Yrs of Exp	Prin V (44-54)	Prin VI (55-65)	Prin VII (66-100)	Prin VIII (101+)
14	$4,259	-	-	-
15	$4,324	-	-	-
16	$4,388	$4,456	-	-
17	$4,456	$4,524	$4,666	-
18	$4,524	$4,596	$4,737	$4,811
19	$4,596	$4,666	$4,811	$4,886
20	$4,666	$4,737	$4,886	$4,963
21	$4,737	$4,811	$4,963	$5,042
22	$4,811	$4,886	$5,042	$5,143
23	$4,886	$4,963	$5,143	$5,246
24	$4,963	$5,042	$5,246	$5,351
25	$5,042	$5,143	$5,351	$5,458
26	$5,143	$5,246	$5,458	$5,567
27	$5,246	$5,351	$5,567	$5,678
28	$5,351	$5,458	$5,678	$5,792
29	$5,458	$5,567	$5,792	$5,908
30	$5,567	$5,678	$5,908	$6,026
31	$5,678	$5,792	$6,026	$6,147
32	$5,792	$5,908	$6,147	$6,270
33	$5,908	$6,026	$6,270	$6,395
34	$6,026	$6,147	$6,395	$6,523
35	$6,147	$6,270	$6,523	$6,653
36	$6,270	$6,395	$6,653	$6,786
37	$6,395	$6,523	$6,786	$6,922
38	$6,523	$6,653	$6,922	$7,060
39	-	$6,786	$7,060	$7,201
40	-	$6,922	$7,201	$7,345
41	-	-	$7,345	$7,492

SECTION 7.2.(c) The appropriate classification for placement of principals and assistant principals on the salary schedule, except for principals in alternative schools, shall be determined in accordance with the following schedule:

Classification	Number of Teachers Supervised
Assistant Principal	
Principal I	Fewer than 11 Teachers
Principal II	11-21 Teachers
Principal III	22-32 Teachers
Principal IV	33-43 Teachers
Principal V	44-54 Teachers

Principal VI	55-65 Teachers
Principal VII	66-100 Teachers
Principal VIII	More than 100 Teachers

The number of teachers supervised includes teachers and assistant principals paid from State funds only; it does not include teachers or assistant principals paid from non-State funds or the principal or teacher assistants.

The beginning classification for principals in alternative schools shall be the Principal III level. Principals in alternative schools who supervise 33 or more teachers shall be classified according to the number of teachers supervised.

SECTION 7.2.(d) A principal shall be placed on the step on the salary schedule that reflects total number of years of experience as a certificated employee of the public schools and an additional step for every three years of experience as a principal. A principal or assistant principal shall also continue to receive any additional State-funded percentage increases earned for the 1997-1998, 1998-1999, and the 1999-2000 school years for improvement in student performance or maintaining a safe and orderly school.

SECTION 7.2.(e) Principals and assistant principals with certification based on academic preparation at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars ($126.00) per month and at the doctoral degree level shall be paid a salary supplement of two hundred fifty-three dollars ($253.00) per month.

SECTION 7.2.(f) There shall be no State requirement that superintendents in each local school unit shall receive in State-paid salary at least one percent (1%) more than the highest paid principal receives in State salary in that school unit: Provided, however, the additional State-paid salary a superintendent who was employed by a local school administrative unit for the 1992-1993 fiscal year received because of that requirement shall not be reduced because of this subsection for subsequent fiscal years that the superintendent is employed by that local school administrative unit so long as the superintendent is entitled to at least that amount of additional State-paid salary under the rules in effect for the 1992-1993 fiscal year.

SECTION 7.2.(g) Longevity pay for principals and assistant principals shall be as provided for State employees under the State Personnel Act.

SECTION 7.2.(h)

(1) If a principal is reassigned to a higher job classification because the principal is transferred to a school within a local school administrative unit with a larger number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the higher job classification.

(2) If a principal is reassigned to a lower job classification because the principal is transferred to a school within a local school administrative unit with a smaller number of State-allotted teachers, the principal shall be placed on the salary schedule as if the principal had served the principal's entire career as a principal at the lower job classification.

This subsection applies to all transfers on or after the effective date of this section, except transfers in school systems that have been created, or will be created, by merging two or more school systems. Transfers in these merged systems are exempt from the provisions of this subsection for one calendar year following the date of the merger.

SECTION 7.2.(i) Participants in an approved full-time masters in school administration program may receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. The Principal Fellows Program or the school of education where the intern participates in a full-time Masters in School Administration shall supply the Department of Public Instruction with certification of eligible full-time interns. Local school administrative units may use all or part of the funds allotted for an assistant principal salary for each intern

accepted by the local school administrative unit; however, interns shall not serve as assistant principals.

SECTION 7.2.(j) During the 2003-2004 fiscal year, the placement on the salary schedule of an administrator with a one-year provisional assistant principal's certificate shall be at the entry-level salary for an assistant principal or the appropriate step on the teacher salary schedule, whichever is higher.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

CENTRAL OFFICE SALARIES

SECTION 7.3.(a) The monthly salary ranges that follow apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2003-2004 fiscal year, beginning July 1, 2003. The top of these ranges shall be increased by one and sixth-tenths percent (1.6%) annually for full-time employees.

School Administrator I	$2,932	$5,266
School Administrator II	$3,112	$5,586
School Administrator III	$3,303	$5,925
School Administrator IV	$3,436	$6,162
School Administrator V	$3,574	$6,410
School Administrator VI	$3,792	$6,799
School Administrator VII	$3,945	$7,072

The local board of education shall determine the appropriate category and placement for each assistant superintendent, associate superintendent, director/coordinator, supervisor, or finance officer within the salary ranges and within funds appropriated by the General Assembly for central office administrators and superintendents. The category in which an employee is placed shall be included in the contract of any employee hired on or after July 1, 2003.

SECTION 7.3.(b) The monthly salary ranges that follow apply to public school superintendents for the 2003-2004 fiscal year, beginning July 1, 2003. The top of these ranges shall be increased by one and sixth-tenths percent (1.6%) annually for full-time employees.

Superintendent I	$4,187	$7,503
Superintendent II	$4,445	$7,956
Superintendent III	$4,716	$8,441
Superintendent IV	$5,005	$8,953
Superintendent V	$5,312	$9,499

The local board of education shall determine the appropriate category and placement for the superintendent based on the average daily membership of the local school administrative unit and within funds appropriated by the General Assembly for central office administrators and superintendents.

Notwithstanding the provisions of this subsection, a local board of education may pay an amount in excess of the applicable range to a superintendent who is entitled to receive the higher amount under Section 7.2.(f) of this act.

SECTION 7.3.(c) Longevity pay for superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers shall be as provided for State employees under the State Personnel Act.

SECTION 7.3.(d) Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the six-year degree level shall receive a salary supplement of one hundred twenty-six dollars ($126.00) per month in addition to the compensation provided pursuant to this section. Superintendents, assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers with certification based on academic preparation at the doctoral degree level shall receive a salary supplement of two hundred fifty-three dollars ($253.00) per month in addition to the compensation provided for under this section.

SECTION 7.3.(e). The State Board of Education shall not permit local school administrative units to transfer State funds from other funding categories for salaries for public school central office administrators.

SECTION 7.3.(f). The Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act for fiscal year 2003-2004, beginning July 1, 2003, funds necessary to provide an average annual salary increase of one and six-tenths percent (1.6%), including funds for the employer's retirement and social security contributions, commencing July 1, 2003, for all permanent full-time personnel paid from the Central Office Allotment. The State Board of Education shall allocate these funds to local school administrative units. The local boards of education shall establish guidelines for providing their salary increases to these personnel.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

NONCERTIFIED PERSONNEL

SECTION 7.4.(a) The Director of the Budget shall transfer from the Reserve for Compensation Increases created in this act for fiscal year 2003-2004, commencing July 1, 2003, funds necessary to provide a salary increase of one and six-tenths percent (1.6%), including funds for the employer's retirement and social security contribution, commencing July 1, 2003, for all noncertified public school employees whose salaries are supported from the State's General Fund.

SECTION 7.4.(b) Local boards of education shall increase the rates of pay for all such employees who were employed for all or part of fiscal year 2002-2003 and who continue their employment for fiscal year 2003-2004 by at least one and six-tenths percent (1.6%), commencing July 1, 2003. For part-time employees, the pay increase shall be pro rata based on the number of hours worked.

SECTION 7.4.(c) These funds shall not be used for any purpose other than for the salary increases and necessary employer contributions provided by this section.

SECTION 7.4.(d) The State Board of Education may adopt salary ranges for noncertified personnel to support increases of one and six-tenths percent (1.6%) for the 2003-2004 school year.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

RESERVE FOR EXPERIENCE STEP INCREASE FOR TEACHERS AND PRINICPALS IN PUBLIC SCHOOLS

SECTION 7.5.(a) Funds in the Reserve for Experience Step Increase for Teachers and Principals in Public Schools shall be used for experience step increases for employees of schools operated by a local board of education, the Department of Health and Human Services, the Department of Correction, or the Department of Juvenile Justice and Delinquency Prevention, who are paid on the teacher salary schedule or the principal and assistant principal salary schedule.

SECTION 7.5.(b) Effective July 1, 2003, any permanent certified personnel employed on July 1, 2003, and paid on the teacher salary schedule with 29+ years of experience shall receive a one-time bonus equivalent to the average increase of the 26 to 29 year steps. Effective July 1, 2003, any permanent personnel employed on July 1, 2003, and paid at the top of the principal and assistant principal salary schedule shall receive a one-time bonus equivalent to two percent (2%). For permanent part-time personnel, the one-time bonus shall be adjusted pro rata. Personnel defined under G.S. 115C-325(a)(5a) are not eligible to receive the bonus.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

SUPPLEMENTAL FUNDING IN LOW-WEALTH COUNTIES

SECTION 7.6.(a) Funds for Supplemental Funding. – The General Assembly finds that it is appropriate to provide supplemental funds in low-wealth counties to allow those counties to enhance the instructional program and student achievement. Therefore, funds are appropriated to State Aid to Local School

Administrative Units for the 2003-2004 fiscal year and the 2004-2005 fiscal year to be used for supplemental funds for the schools.

SECTION 7.6.(b) Use of Funds for Supplemental Funding. – All funds received pursuant to this section shall be used only: (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks; (ii) for salary supplements for instructional personnel and instructional support personnel; and (iii) to pay an amount not to exceed ten thousand dollars ($10,000) of the plant operation contract cost charged by the Department of Public Instruction for services.

Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and children who are performing at Level I or II on the writing tests in grades 4 and 7. Local boards of education shall report to the State Board of Education on an annual basis on funds used for this purpose, and the State Board shall report this information to the Joint Legislative Education Oversight Committee. These reports shall specify how these funds were targeted and used to implement specific improvement strategies of each local school administrative unit and its schools, such as teacher recruitment, closing the achievement gap, improving student accountability, addressing the needs of at-risk students, and establishing and maintaining safe schools.

SECTION 7.6.(c) Definitions. – As used in this section:

(1) "Anticipated county property tax revenue availability" means the county-adjusted property tax base multiplied by the effective State average tax rate.

(2) "Anticipated total county revenue availability" means the sum of the:
   a. Anticipated county property tax revenue availability,
   b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes,
   c. Food stamp exemption reimbursement received by the county under G.S. 105-164.44C,
   d. Homestead exemption reimbursement received by the county under G.S. 105-277.1A,
   e. Inventory tax reimbursement received by the county under G.S. 105-275.1 and G.S. 105-277.001,
   f. Intangibles tax distribution and reimbursement received by the county under G.S. 105-275.2, and
   g. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.

(3) "Anticipated total county revenue availability per student" means the anticipated total county revenue availability for the county divided by the average daily membership of the county.

(4) "Anticipated State average revenue availability per student" means the sum of all anticipated total county revenue availability divided by the average daily membership for the State.

(5) "Average daily membership" means average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.

(6) "County-adjusted property tax base" shall be computed as follows:

a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county,
b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies,
c. Add to the resulting amount the:
1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2,
2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes, and
3. Personal property value for the county.

(7) "County-adjusted property tax base per square mile" means the county-adjusted property tax base divided by the number of square miles of land area in the county.

(8) "County wealth as a percentage of State average wealth" shall be computed as follows:
a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths,
b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths,
c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth,
d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.

(9) "Effective county tax rate" means the actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.

(10) "Effective State average tax rate" means the average of effective county tax rates for all counties.

(10a) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(11) "Per capita income" means the average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.

(12) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

(13) "State average current expense appropriations per student" means the most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(14) "State average adjusted property tax base per square mile" means the sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.

(14a) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.

(15) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

SECTION 7.6.(d) Eligibility for Funds. – Except as provided in subsection (h) of this section, the State Board of Education shall allocate these funds to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the State average wealth is less than one hundred percent (100%).

SECTION 7.6.(e) Allocation of Funds. – Except as provided in subsection (g) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. (To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county wealth as a percentage of State average wealth by the State average current expense appropriations per student.)

The funds for the local school administrative units located in whole or in part in the county shall be allocated to each local school administrative unit located in whole or in part in the county based on the average daily membership of the county's students in the school units.

If the funds appropriated for supplemental funding are not adequate to fund the formula fully, each local school administrative unit shall receive a pro rata share of the funds appropriated for supplemental funding.

SECTION 7.6.(f) Formula for Distribution of Supplemental Funding Pursuant to This Section Only. – The formula in this section is solely a basis for distribution of supplemental funding for low-wealth counties and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

SECTION 7.6.(g) Minimum Effort Required. – Counties that had effective tax rates in the 1996-1997 fiscal year that were above the State average effective tax rate but that had effective rates below the State average in the 1997-1998 fiscal year or thereafter shall receive reduced funding under this section. This reduction in funding shall be determined by subtracting the amount that the county would have received pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws from the amount that the county would have received if qualified for full funding and multiplying the difference by ten percent (10%). This method of calculating reduced funding shall apply one time only.

This method of calculating reduced funding shall not apply in cases in which the effective tax rate fell below the statewide average effective tax rate as a result of a reduction in the actual property tax rate. In these cases, the minimum effort required shall be calculated in accordance with Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

If the county documents that it has increased the per student appropriation to the school current expense fund in the current fiscal year, the State Board of Education

shall include this additional per pupil appropriation when calculating minimum effort pursuant to Section 17.1(g) of Chapter 507 of the 1995 Session Laws.

SECTION 7.6.(h) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if:

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years; and

(2) The county cannot show: (i) that it has remedied the deficiency in funding, or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

The State Board of Education shall adopt rules to implement this section.

SECTION 7.6.(i) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines that counties have supplanted funds.

SECTION 7.6.(j) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present-use value of agricultural land, horticultural land, and forestland as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING

SECTION 7.7.(a) Funds for Small School Systems. – Except as provided in subsection (b) of this section, the State Board of Education shall allocate funds appropriated for small school system supplemental funding (i) to each county school administrative unit with an average daily membership of fewer than 3,175 students and (ii) to each county school administrative unit with an average daily membership from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county-adjusted property tax base per student that is below the State-adjusted property tax base per student and if the total average daily membership of all local school administrative units located within the county is from 3,175 to 4,000 students. The allocation formula shall:

(1) Round all fractions of positions to the next whole position.

(2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four, and seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.

(3) Provide additional program enhancement teachers adequate to offer the standard course of study.

(4) Change the duty-free period allocation to one teacher assistant per 400 average daily membership.

(5) Provide a base for the consolidated funds allotment of at least five hundred seventy-seven thousand one hundred eleven dollars ($577,111), excluding textbooks.

(6) Allot vocational education funds for grade 6 as well as for grades 7-12.

If funds appropriated for each fiscal year for small school system supplemental funding are not adequate to fund fully the program, the State Board of Education shall reduce the amount allocated to each county school administrative unit on a pro rata basis. This formula is solely a basis for distribution of supplemental funding for certain county school administrative units and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for such county administrative units.

SECTION 7.7.(b) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. For the 2003-2005 fiscal biennium, the State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if:

(1) The current expense appropriation per student of the county for the current year is less than ninety-five percent (95%) of the average of the local current expense appropriations per student for the three prior fiscal years; and

(2) The county cannot show: (i) that it has remedied the deficiency in funding, or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

The State Board of Education shall adopt rules to implement this section.

SECTION 7.7.(c) Phase-Out Provisions. – If a local school administrative unit becomes ineligible for funding under this formula solely because of an increase in the county-adjusted property tax base per student of the county in which the local school administrative unit is located, funding for that unit shall be phased out over a two-year period. For the first year of ineligibility, the unit shall receive the same amount it received for the prior fiscal year. For the second year of ineligibility, it shall receive one-half of that amount.

If a local school administrative unit becomes ineligible for funding under this formula solely because of an increase in the population of the county in which the local school administrative unit is located, funding for that unit shall be continued for five years after the unit becomes ineligible.

SECTION 7.7.(d) Definitions. – As used in this section:

(1) "Average daily membership" means within two percent (2%) of the average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual, adopted by the State Board of Education.

(2) "County-adjusted property tax base per student" means the total assessed property valuation for each county, adjusted using a weighted average of the three most recent annual sales assessment ratio studies, divided by the total number of students in average daily membership who reside within the county.

(2a) "Local current expense funds" means the most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.

(3) "Sales assessment ratio studies" means sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).

(4) "State-adjusted property tax base per student" means the sum of all county adjusted property tax bases divided by the total number of students in average daily membership who reside within the State.

(4a) "Supplant" means to decrease local per student current expense appropriations from one fiscal year to the next fiscal year.

(5) "Weighted average of the three most recent annual sales assessment ratio studies" means the weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales assessment ratios shall be used. If property has been revalued during the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

SECTION 7.7.(e) Reports. – The State Board of Education shall report to the Joint Legislative Education Oversight Committee prior to May 1, 2004, if it determines that counties have supplanted funds.

SECTION 7.7.(f) Use of Funds. – Local boards of education are encouraged to use at least twenty percent (20%) of the funds they receive pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 and children who are performing at Level I or II on the writing tests in grades 4 and 7. Local boards of education shall report to the State Board of Education on an annual basis on funds used for this purpose and the State Board shall report this information to the Joint Legislative Education Oversight Committee. These reports shall specify how these funds were targeted and used to implement specific improvement strategies of each local school administrative unit and its schools such as teacher recruitment, closing the achievement gap, improving student accountability, addressing the needs of at-risk students, and establishing and maintaining safe schools.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

APPROPRIATIONS FOR CONTINUALLY LOW-PERFORMING SCHOOLS

SECTION 7.8. Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of one million nine hundred fifty-six thousand one hundred fifteen dollars ($1,956,115) for the 2003-2004 and 2004-2005 fiscal years shall be used to provide the State's chronically low-performing schools with tools needed to dramatically improve student achievement. These funds shall be used to implement any of the following strategies at the schools that have not previously been implemented with State or other funds:

(1) The sum of one million six hundred fifty-seven thousand three hundred forty-five dollars ($1,657,345) for the 2003-2004 and 2004-2005 fiscal years shall be used to reduce class size at a continually low-performing school to ensure that the number of teachers allotted for students in grades four and five is one for every 17 students, and that the number of teachers allotted in grades six through eight is one for every 17 students, and that the number of teachers allotted in grades nine through twelve is one for every 20 students; and

(2) The sum of two hundred ninety-eight thousand seven hundred seventy dollars ($298,770) for the 2003-2004 and 2004-2005 fiscal years shall be used to extend teachers' contracts for a total of 10 days, including five days of additional instruction with related costs for other than teachers' salaries for the 2003-2004 and 2004-2005 school years.

Notwithstanding any other provision of law, the State Board of Education may implement intervention strategies for the 2003-2004 and 2004-2005 school years that it deems appropriate.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

IMMEDIATE ASSISTANCE TO THE HIGHEST PRIORITY ELEMENTARY SCHOOLS

SECTION 7.9. Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of ten million one hundred thirty-four thousand six hundred seven dollars ($10,134,607) for the 2003-2004 and 2004-2005 fiscal years shall be budgeted to provide the State's lowest performing elementary schools with the tools needed to dramatically improve student achievement. These funds shall be used for the 37 elementary schools at which, for the 1999-2000 school year over eighty percent (80%) of the students qualified for free or reduced-price lunches, and no more than fifty-five percent (55%) of the students performed at or above grade level. Of these funds:

(1) The sum of six million ninety-three thousand one hundred eighty-one dollars ($6,093,181) for the 2003-2004 and 2004-2005 fiscal years shall be used to reduce class size at each of these schools to ensure that no class kindergarten through third grade has more than 15 students;

(2) The sum of two million two hundred sixty-six thousand twenty-six dollars ($2,266,026) for the 2003-2004 and 2004-2005 fiscal years shall be used to extend all teachers' contracts at these schools for a total of 10 days, with five days for staff development, including staff development on methods to individualize instruction in smaller classes, and preparation for the 2003-2004 and 2004-2005 school years, and five additional days of instruction with related costs for other than teachers' salaries; and

(3) The sum of one million seven hundred seventy-five thousand four hundred dollars ($1,775,400) for the 2003-2004 and 2004-2005 fiscal years shall be used to provide one additional instructional support position at each priority school.

No funds from the teacher assistant allotment category may be allotted to the local school administrative units for students assigned to these schools. Any teacher assistants displaced from jobs in these high-priority elementary schools shall be given preferential consideration for vacant teacher assistant positions at other schools, provided their job performance has been satisfactory. Nothing in this section prevents the local school administrative unit from placing teacher assistants in these schools.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

EVALUATION OF INITIATIVES TO ASSIST HIGH-PRIORITY SCHOOLS

SECTION 7.10.(a) In order for the high-priority schools identified in Section 7.9 of this act to remain eligible for the additional resources provided in this section, the schools must meet the expected growth for each year and must achieve high growth for at least two out of three years based on the State Board of Education's annual performance standards set for each school. No adjustment in the allotment of resources based on performance shall be made until the 2004-2005 school year.

SECTION 7.10.(b) All teaching positions allotted for students in high-priority schools and continually low-performing schools in those grades targeted for smaller class sizes shall be assigned to and teach in those grades and in those schools. The maximum class size in grades K-3 in high-priority schools and in grades K-5 in continually low-performing schools shall be no more than one student above the allotment ratio in that grade. The Department of Public Instruction shall monitor class sizes at these schools at the end of the first month of school and report to the State Board of Education on the actual class sizes at these schools. If the local school

administrative unit notifies the State Board of Education that they do not have sufficient resources to adhere to the class size maximum requirements and requests additional teaching positions, the State Board shall verify the need for additional positions. If the additional resources are determined necessary, the State Board of Education may allocate additional teaching positions to the unit from the Reserve for Average Daily Membership adjustments.

SECTION 7.10.(c) Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of five hundred thousand dollars ($500,000) for fiscal year 2003-2004 and the sum of five hundred thousand dollars ($500,000) for fiscal year 2004-2005 shall be used by the State Board of Education to contract with an outside organization to evaluate the initiatives set forth in this section. The evaluation shall include:

(1) An assessment of the overall impact these initiatives have had on student achievement;

(2) An assessment of the effectiveness of each individual initiative set for this section in improving student achievement;

(3) An identification of changes in staffing patterns, instructional methods, staff development, and parental involvement as a result of these initiatives;

(4) An accounting of how funds and personnel resources made available for these schools were utilized and the impact of varying patterns of utilization on changes in student achievement;

(5) An assessment of the impact of bonuses for mathematics, science, and special education teachers on (i) the retention of these teachers in the targeted schools, (ii) the recruitment of teachers in these specialties into targeted schools, (iii) the recruitment of teachers certified in these disciplines, and (iv) student achievement in schools at which these teachers receive these bonuses; and

(6) Recommendations for the continuance and improvement of these initiatives.

The State Board of Education shall make a report to the Joint Legislative Education Oversight Committee regarding the results of this evaluation by December 1 of each year. The State Board of Education shall submit its recommendations for changes to these initiatives to the Committee at anytime.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

AT-RISK STUDENT SERVICES/ALTERNATIVE SCHOOLS

SECTION 7.11. The State Board of Education may use up to two hundred thousand dollars ($200,000) of the funds in the Alternative Schools/At-Risk Student allotment each year for the 2003-2004 fiscal year and for the 2004-2005 fiscal year to implement G.S. 115C-12(4).

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

ADDITIONAL TEACHER POSITIONS FOR SECOND GRADE

SECTION 7.12.(a) The maximum class size limits for second grade established by the State Board of Education for the 2003-2004 school year shall be reduced by two from the 2002-2003 limits, based on an allotment ratio of one teacher for every 18 students.

SECTION 7.12.(b) For the 2003-2004 school year, local school administrative units shall use these additional teacher positions to reduce class size in second grade.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

CHILDREN WITH DISABILITIES

SECTION 7.13. The State Board of Education shall allocate funds for children with disabilities on the basis of two thousand six hundred seventy dollars and twenty-eight cents ($2,670.28) per child for a maximum of 165,266 children for the 2003-2004 school year. Each local school administrative unit shall receive funds for the lesser of (i) all children who are identified as children with disabilities or (ii) twelve and five-tenths percent (12.5%) of the 2003-2004 allocated average daily membership in the local school administrative unit.

The dollar amounts allocated under this section for children with disabilities shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve children with disabilities.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

FUNDS FOR ACADEMICALLY GIFTED CHILDREN

SECTION 7.14. The State Board of Education shall allocate funds for academically or intellectually gifted children on the basis of eight hundred eighty-four dollars and fifty-five cents ($884.55) per child. A local school administrative unit shall receive funds for a maximum of four percent (4%) of its 2003-2004 allocated average daily membership, regardless of the number of children identified as academically or intellectually gifted in the unit. The State Board shall allocate funds for no more than 53,712 children for the 2003-2004 school year.

The dollar amounts allocated under this section for academically or intellectually gifted children shall also adjust in accordance with legislative salary increments, retirement rate adjustments, and health benefit adjustments for personnel who serve academically or intellectually gifted children.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

STUDENTS WITH LIMITED ENGLISH PROFICIENCY

SECTION 7.15.(a) The State Board of Education shall develop guidelines for identifying and providing services to students with limited proficiency in the English language.

The State Board shall allocate these funds to local school administrative units and to charter schools under a formula that takes into account the average percentage of students in the units or the charters over the past three years who have limited English proficiency. The State Board shall allocate funds to a unit or a charter school only if (i) average daily membership of the unit or the charter school includes at least 20 students with limited English proficiency or (ii) students with limited English proficiency comprise at least two and one-half percent (2.5%) of the average daily membership of the unit or charter school. For the portion of the funds that is allocated on the basis of the number of identified students, the maximum number of identified students for whom a unit or charter school receives funds shall not exceed 10 and six-tenths percent (10.6%) of its average daily membership.

Local school administrative units shall use funds allocated to them to pay for classroom teachers, teacher assistants, tutors, textbooks, classroom materials/instructional supplies/equipment, transportation costs, and staff development of teachers for students with limited English proficiency.

A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds.

SECTION 7.15.(b) The Department of Public Instruction shall prepare a current head count of the number of students classified with limited English proficiency by December 1 of each year.

Students in the head count shall be assessed at least once every three years to determine their level of English proficiency. A student who scores "superior" on the

standard English language proficiency assessment instrument used in this State shall not be included in the head count of students with limited English proficiency.

SECTION 7.15.(c) The State Board of Education shall review the allotment formula for funding for students with limited English proficiency. In its review, the Board shall consider whether the proportion of funds allotted on the basis of concentration of students with limited English proficiency in a local school administrative unit is at the proper level or should be revised. The Board shall report the results of its review and its recommendations to the Joint Legislative Education Oversight Committee by November 15, 2003.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

FUNDS TO IMPLEMENT THE ABCS OF PUBLIC EDUCATION

SECTION 7.16.(a) The State Board of Education shall use funds appropriated for State Aid to Local School Administrative Units for the 2003-2004 fiscal year to provide incentive funding for schools that met or exceeded the projected levels of improvement in student performance during the 2002-2003 school year, in accordance with the ABCs of Public Education Program. In accordance with State Board of Education policy:

(1) Incentive awards in schools that achieve higher than expected improvements may be up to:
   a. One thousand five hundred dollars ($1,500) for each teacher and for certified personnel; and
   b. Five hundred dollars ($500.00) for each teacher assistant.

(2) Incentive awards in schools that meet the expected improvements may be up to:
   a. Seven hundred fifty dollars ($750.00) for each teacher and for certified personnel; and
   b. Three hundred seventy-five dollars ($375.00) for each teacher assistant.

SECTION 7.16.(b) The State Board of Education may use funds appropriated to State Aid to Local School Administrative Units for assistance teams to low-performing schools.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

LEA ASSISTANCE PROGRAM

SECTION 7.17. Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of five hundred thousand dollars ($500,000) for fiscal year 2003-2004 shall be used to provide assistance to the State's low-performing Local School Administrative Units (LEAs). The State Board of Education shall report to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee on the expenditure of these funds by May 15, 2004. The report shall contain: (1) the criteria for selecting LEAs to receive assistance, (2) measurable goals and objectives for the assistance program, (3) an explanation of the assistance provided, (4) findings from the assistance program, (5) actual expenditures by category, (6) recommendations for the continuance of this program, and (7) any other information the State Board deems necessary.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

EXPENDITURE OF FUNDS TO IMPROVE STUDENT ACCOUNTABILITY

SECTION 7.18.(a) Funds appropriated for the 2003-2004 and 2004-2005 fiscal years for Student Accountability Standards shall be used to assist students to perform at or above grade level in reading and mathematics in grades 3-8 as measured by the State's end-of-grade tests. The SBE shall allocate these funds to LEAs based on the number of students who score at Level I or Level II on either reading or

mathematics end-of-grade tests in grades 3-8. Funds in the allocation category shall be used to improve the academic performance of (i) students who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades 3-8 or (ii) students who are performing at Level I or II on the writing tests in grades 4 and 7. These funds may also be used to improve the academic performance of students who are performing at Level I or II on the high school end-of-course tests. These funds shall not be transferred to other allocation categories or otherwise used for other purposes. Except as otherwise provided by law, local boards of education may transfer other funds available to them into this allocation category.

The principal of a school receiving these funds, in consultation with the faculty and the site-based management team, shall implement plans for expending these funds to improve the performance of students.

Local boards of education are encouraged to use federal funds such as Title I Comprehensive School Reform Development Funds and to examine the use of State funds to ensure that every student is performing at or above grade level in reading and mathematics.

These funds shall be allocated to local school administrative units for the 2003-2004 fiscal year within 30 days of the date this act becomes law.

SECTION 7.18.(b) Funds appropriated for Student Accountability Standards shall not revert at the end of each fiscal year but shall remain available for expenditure until August 31 of the subsequent fiscal year.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

FUNDS FOR TEACHER RECRUITMENT INITIATIVES

SECTION 7.19. The State Board of Education may use up to two hundred thousand dollars ($200,000) of the funds appropriated for State Aid to Local School Administrative Units each year for the 2003-2004 fiscal year and for the 2004-2005 fiscal year to enable teachers who have received NBPTS certification or who have otherwise received special recognition to advise the State Board of Education on teacher recruitment and other strategic priorities of the State Board.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

RECRUITMENT AND RETENTION INITIATIVE TO ADDRESS TEACHER SHORTAGE

SECTION 7.20.(a) Of the funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of two million eight hundred ninety thousand dollars ($2,890,000) for the 2003-2004 and 2004-2005 fiscal years shall be used to provide annual bonuses of one thousand eight hundred dollars ($1,800) to teachers certified in and teaching in the fields of mathematics, science, or special education in grades 6 through 12 at middle and high schools with eighty percent (80%) or more of the students eligible for free or reduced lunch or with fifty percent (50%) or more of students performing below grade level in Algebra I and Biology. The bonus shall be paid monthly with matching benefits. Teachers shall remain eligible for the bonuses so long as they continue to teach in one of these disciplines at a school that was eligible for the bonus program when the teacher first received this bonus.

SECTION 7.20.(b) In accordance with G.S. 115C-325 and by way of clarification, it shall not constitute a demotion as that term is defined in G.S. 115C-325(a)(4) if:

(1) A teacher who receives a bonus pursuant to this section is reassigned to a school at which there is no such bonus;

(2) A teacher who receives a bonus pursuant to this section is reassigned to teach in a field for which there is no such bonus; or

(3) A teacher receives a bonus pursuant to this section and the bonus is subsequently discontinued or reduced.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

FUNDS FOR THE TESTING AND IMPLEMENTATION OF THE NEW STUDENT INFORMATION SYSTEM

SECTION 7.21.(a) The State Board of Education may transfer up to one million dollars ($1,000,000) in funds appropriated for the Uniform Education Reporting System for the 2003-2004 fiscal year and up to one million dollars ($1,000,000) in funds appropriated for the Uniform Education Reporting System for the 2004-2005 fiscal year to the Department of Public Instruction to lease or purchase equipment necessary for the testing and implementation of NC WISE, the new student information system in the public schools.

Testing shall include an emphasis on the security of the system.

SECTION 7.21.(b) Funds appropriated for the Uniform Education Reporting System shall not revert at the end of the 2003-2004 and 2004-2005 fiscal years, but shall remain available until expended.

SECTION 7.21.(c) This section becomes effective June 30, 2003.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

LITIGATION RESERVE FUNDS

SECTION 7.22. The State Board of Education may expend up to five hundred thousand dollars ($500,000) each year for the 2003-2004 and 2004-2005 fiscal years from unexpended funds for certified employees' salaries to pay expenses related to pending litigation.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

LOCAL EDUCATION AGENCY FLEXIBILITY

SECTION 7.23. Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit of the amount the unit must reduce from State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit on the basis of average daily membership.

Each unit shall report to the Department of Public Instruction on the discretionary budget reductions it has identified for the unit within 30 days of the date this act becomes law. No later than December 31, 2003, the State Board of Education shall make a summary report to the Office of State Budget and Management and the Fiscal Research Division on all reductions made by the LEAs to achieve this reduction.

For fiscal year 2003-2004, the Governor urges local school administrators to make every effort 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 or children with special needs, including those services or supports that are called for in students' Personal Education Plans (PEP) and/or Individual Education Plans (IEP). If reductions to the allotment categories listed in this paragraph are necessary in order to meet the reduction target, the local board of education shall submit an explanation of the anticipated impact of the reductions to student services along with the budget reductions to the Department of Public Instruction. By February 15, 2004, for fiscal year 2004-2005, the State Board of Education will determine the changes to the allotment categories to make such reductions permanent.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

BASE BUDGET REDUCTION TO DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.24. Notwithstanding any other provision of law, the Department of Public Instruction may use salary reserve funds and other funds, and may transfer funds within the Department's continuation budget to implement budget reductions for the 2003-2004 fiscal year.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

REPLACEMENT SCHOOL BUSES FUNDS

SECTION 7.25.(a) Of the funds appropriated to the State Board of Education, the Board may use up to fifteen million dollars ($15,000,000) for the 2003-2004 fiscal year and up to forty-seven million seven hundred fifty-two thousand eight hundred thirteen dollars ($47,752,813) for the 2004-2005 fiscal year for allotments to local boards of education for replacement school buses under G.S. 115C-249(c) and (d). In making these allotments, the State Board of Education may impose any of the following conditions:

(1) The local board of education must use the funds only to make the first or second year's payment on a financing contract entered into pursuant to G.S. 115C-528.

(2) The term of a financing contract entered into under this section shall not exceed three years.

(3) The local board of education must purchase the buses only from vendors selected by the State Board of Education and on terms approved by the State Board of Education.

(4) The State Board of Education shall solicit bids for the direct purchase of buses and for the purchasing of buses through financing. The State Board of Education may solicit separate bids for financing if the Board determines that multiple financing options are more cost-efficient.

(5) A bus financed pursuant to this section must meet all federal motor vehicle safety regulations for school buses.

(6) Any other condition the State Board of Education considers appropriate.

SECTION 7.25.(b) Any term contract for the purchase or lease-purchase of school buses or school activity buses shall not require vendor payment of the electronic procurement transaction fee of the North Carolina E-Procurement Service.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

EXPENDITURES FOR DRIVING ELIGIBILITY CERTIFICATES

SECTION 7.26. The State Board of Education may use funds appropriated for drivers education for the 2003-2004 fiscal year and for the 2004-2005 fiscal year for driving eligibility certificates.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

DISCREPANCIES BETWEEN ANTICIPATED AND ACTUAL ADM

SECTION 7.27.(a) If the State Board of Education does not have sufficient resources in the ADM Contingency Reserve line item to make allotment adjustments in accordance with the Allotment Adjustments for ADM Growth provisions of the North Carolina Public Schools Allotment Policy Manual, the State Board of Education may use funds appropriated to State Aid for Public Schools for this purpose.

SECTION 7.27.(b) If the higher of the first or second month average daily membership in a local school administrative unit is at least two percent (2%) or 100 students lower than the anticipated average daily membership used for allotments for the unit, the State Board of Education shall reduce allotments for the unit. The reduced allotments shall be based on the higher of the first or second month average daily membership plus one-half of the number of students overestimated in the anticipated average daily membership.

The allotments reduced pursuant to this subsection shall include only those allotments that may be increased pursuant to the Allotment Adjustments for ADM Growth provisions of the North Carolina Public Schools Allotment Policy Manual.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

CHARTER SCHOOL ADVISORY COMMITTEE/CHARTER SCHOOL EVALUATION

SECTION 7.28. The State Board of Education may spend up to fifty thousand dollars ($50,000) a year from the State Aid to Local School Administrative Units for the 2003-2004 and 2004-2005 fiscal years to continue support of a charter school advisory committee and to continue to evaluate charter schools.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

STUDY OF ISSUES RELATED TO RAPID GROWTH IN STUDENT POPULATION

SECTION 7.29. The Joint Legislative Education Oversight Committee shall study the effects of rapid growth in student population on local school administrative units. In the course of the study, the Committee shall consider issues related to rapid growth and strategies for addressing these issues. The Committee shall report to the 2004 Regular Session of the General Assembly on its findings and recommendations.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

MENTOR TEACHER FUNDS MAY BE USED FOR FULL-TIME MENTORS

SECTION 7.30.(a) The State Board of Education shall grant flexibility to a local board of education regarding the use of mentor funds to provide mentoring support, provided the local board submits a detailed plan on the use of the funds to the State Board and the State Board approves that plan. The plan shall include information on how all mentors in the local school administrative unit have been or will be adequately trained to provide mentoring support.

Local boards of education shall use funds allocated for mentor teachers 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.

SECTION 7.30.(b) The State Board of Education, after consultation with the Professional Teaching Standards Commission, shall adopt standards for mentor training.

SECTION 7.30.(c) Each local board of education with a plan approved pursuant to subsection (a) of this section shall report to the State Board of Education on the impact of its mentor program on teacher retention. The State Board of Education shall report to the Joint Legislative Education Oversight Committee by October 1, 2004, on the characteristics of mentor programs that are most effective in retaining teachers.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

EXPLORNET AUDIT

SECTION 7.31. No State funds appropriated for distribution to ExplorNet, Incorporated, shall be disbursed until the State Auditor and the Office of State Budget and Management certify that ExplorNet, Incorporated, has received an audit report for the 2001-2002 fiscal year that is free of audit exceptions. A copy of the certification by the State Auditor and the Office of State Budget and Management shall be sent to the Joint Legislative Education Oversight Committee and to the Joint Legislative Commission on Governmental Operations.

PART VIII. COMMUNITY COLLEGES

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

COMMUNITY COLLEGE FUNDING FLEXIBILITY

SECTION 8.1. A local community college may use all State funds allocated to it, except for Literacy Funds and Funds for New and Expanding Industries, for any authorized purpose that is consistent with the college's Institutional Effectiveness Plan. Each local community college shall include in its Institutional Effectiveness Plan a

section on how funding flexibility allows the college to meet the demands of the local community and to maintain a presence in all previously funded categorical programs.

No more than two percent (2%) systemwide shall be transferred from faculty salaries without the approval of the State Board of Community Colleges. The State Board shall report on any such transfers above two percent (2%) systemwide to the Office of State Budget and Management and the Joint Legislative Commission on Governmental Operations at its next meeting.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

FLEXIBILITY TO IMPLEMENT BUDGET REDUCTIONS

SECTION 8.2. Notwithstanding G.S. 143-23 or any other provision of law, the State Board of Community Colleges may use salary reserve funds and other funds, and may transfer funds within the Community College System Office continuation budget to the extent necessary to implement budget reductions for the 2003-2004 fiscal year.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

STATE BOARD OF COMMUNITY COLLEGE MANAGEMENT FLEXIBILITY

SECTION 8.3. Within 30 days of the date this act becomes law, the State Board of Community Colleges shall notify each college of the amount the college must reduce from State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit on the basis of FTE or another method that accounts for the unique needs of specific colleges.

Each college shall report to the State Board of Community Colleges on the discretionary budget reductions it has identified for the college within 60 days of the date this act becomes law. No later than December 31, 2003, the State Board of Community Colleges shall make a summary report to the Office of State Budget and Management and the Fiscal Research Division on all reductions made by the colleges to achieve this reduction.

For fiscal year 2003-2004, the General Assembly urges local college administrators to make every effort to reduce spending whenever and wherever such budget reductions are appropriate and as long as the targeted reductions do not directly impact classroom services or those services that are identified in this act as a high-need area for the State. If reductions to the allotment categories listed in this paragraph are necessary in order to meet the reduction target, the local college administration shall submit an explanation of the anticipated impact of the reductions to student services along with the budget reductions to the State Board of Community Colleges.

By February 15, 2004, for fiscal year 2004-2005, the State Board of Community Colleges will determine the changes to the allotment categories to make such reductions permanent.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

REGISTRATION FEES FOR OCCUPATIONAL CONTINUING EDUCATION OR FOCUSED INDUSTRIAL TRAINING

SECTION 8.4. Of the funds appropriated to the North Carolina Community College System for the 2003-2005 biennium, the State Board of Community Colleges may use up to one hundred thousand dollars ($100,000) each year to pay registration fees and material costs for Occupational Continuing Education or Focused Industrial Training safety courses provided to companies that (i) are eligible to participate in the Focused Industrial Training Program, (ii) have less than 150 employees, and (iii) are found by community college representatives and regional customized training directors to face challenges in paying these fees and costs. These funds shall not be expended without the prior approval of the North Carolina Community College System Office, Division of Economic and Workforce Development.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

SUMMER SCHOOL FUNDING

SECTION 8.5. The General Assembly encourages the North Carolina Community Colleges System to use funds appropriated to support summer term curriculum FTE to address issues associated with worker shortages in high-needs industries such as (i) Business Technology, (ii) Health Sciences, (iii) Child Care Training, and (iv) Public Service Technologies including law enforcement, fire protection, and education.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

CARRY FORWARD FOR EQUIPMENT

SECTION 8.6.(a) Subject to cash availability, the North Carolina Community Colleges System may carry forward up to five million dollars ($5,000,000) of the operating funds held in reserve that were not reverted in fiscal year 2002-2003 to be reallocated to the State Board of Community Colleges' Equipment Reserve Fund. These funds should be distributed to colleges consistent with G.S. 115D-31.

SECTION 8.6.(b) This section becomes effective June 30, 2003.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

HOSIERY CENTER FUNDS

SECTION 8.7. Notwithstanding any other provision of law, all fees collected by the Hosiery Technology Center of Catawba Valley Community College for the testing of hosiery products shall be retained by the Center and used for the operations of the Center. Purchases made by the Center using these funds are not subject to the provisions of Article 3 of Chapter 143 of the General Statutes.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

SCHOLARSHIPS FOR PROSPECTIVE TEACHERS

SECTION 8.8. Of the funds appropriated in this act to the State Board of Community Colleges, the State Board may use up to one million dollars ($1,000,000) for a nonrecurring grant to the North Carolina Community College Foundation. These funds shall be used to match the Glaxo Smith Kline Foundation challenge grant establishing a two million dollar ($2,000,000) endowment for the creation of a new scholarship program for prospective teachers enrolled in baccalaureate completion programs at State community college campuses and for the development of teacher preparation courses.

This provision is contingent upon receipt of one million dollars ($1,000,000) for this purpose from the Glaxo Smith Kline Foundation and applies only to the 2003-2004 fiscal year.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

MANAGEMENT INFORMATION SYSTEM FUNDS

SECTION 8.9.(a) Funds appropriated for the Community Colleges System Office Management Information System shall not revert at the end of the 2002-2003 and 2003-2004 fiscal years but shall remain available until expended.

SECTION 8.9.(b) This section becomes effective June 30, 2003.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

USE OF LITERACY FUNDS FOR LITERACY LABS

SECTION 8.10. Notwithstanding any other provision of law, a local community college may use up to five percent (5%) of the Literacy Funds allocated to it by the State Board of Community Colleges to procure computers for literacy labs.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

FACULTY AND PROFESSIONAL STAFF SALARIES

SECTION 8.11. Three million two hundred fifty thousand dollars ($3,250,000) in the Reserve for Compensation Increases in Section 2.1 of this act shall be used to increase faculty and professional staff salaries by an average of one-half percent (0.5%). These increases are in addition to the one and six-tenths percent (1.6%) provided by Section 30.11 of this act. Colleges may provide additional increases from funds available.

The State Board of Community Colleges shall adopt rules to ensure that these funds are used only to move faculty and professional staff to the respective national averages. The funds shall not be transferred by the State Board or used for any other budget purpose by the community colleges.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

EVALUATION OF THE COMPREHENSIVE ARTICULATION AGREEMENT

SECTION 8.12.(a) The General Assembly finds that (i) there is a general sentiment expressed by students that the Comprehensive Articulation Agreement adopted by the Board of Governors of The University of North Carolina and the State Board of Community Colleges should be improved and (ii) over the past five years, there have been many suggestions for improving the Comprehensive Articulation Agreement as well as recommendations for new directions in which the Comprehensive Articulation Agreement should be developed.

SECTION 8.12.(b) The Joint Legislative Education Oversight Committee shall contract with a credible independent source, individual, or organization, to study the Comprehensive Articulation Agreement. The contractor shall not be (i) a current employee of The University of North Carolina, Office of the President, the North Carolina Community College System, or any of the North Carolina independent schools/colleges participating in the Comprehensive Articulation Agreement or (ii) a current or past member of the Transfer Advisory Committee.

SECTION 8.12.(c) The study by the contractor shall:

(1) Be consistent with the standards of Southern Association of Colleges and Schools, Commission on Colleges, on educational quality and institutional effectiveness;

(2) Be designed to provide an accurate and credible assessment of the effectiveness of the Comprehensive Articulation Agreement during its initial five years of existence relative to the intent of its authorizing legislation;

(3) Be based on qualitative as well as quantitative information and data;

(4) Take no more than four months from initiation to completion.

(5) Include input from college transfer students, counselors, faculty, and administration from both systems.

SECTION 8.12.(d) The contractor's report shall:

(1) Adequately reflect the study's methodology, sources of information, purpose and scope, analyses, evaluative assessments, recommendations, and conclusions;

(2) State any known deficiencies or limitations of the study;

(3) Be presented in both a printed form and an electronic version; and

(4) Provide recommendations for improving the Comprehensive Articulation Agreement.

SECTION 8.12.(e) The contractor shall submit a written progress report every four weeks to the vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochairs of the Transfer Advisory Committee. The contractor shall complete the report within four months. At the

completion of the study, the contractor shall submit a draft of the report document to the vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochairs of the Transfer Advisory Committee for review.

SECTION 8.12.(f) The vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochairs of the Transfer Advisory Committee shall respond to the draft report within 30 days of receiving the draft.

SECTION 8.12.(g) Within 60 days of completing the study, the contractor shall submit a final report to the vice-president of academic affairs of The University of North Carolina, Office of the President, the vice-president of academic affairs of the North Carolina Community College System Office, and the cochairs of the Transfer Advisory Committee. The vice-president of academic affairs of The University of North Carolina, Office of the President, and the vice-president of academic affairs of the North Carolina Community College System Office may, in their discretion, schedule a formal presentation of the report when it is submitted.

SECTION 8.12.(h) Designees of the vice-president of academic affairs of The University of North Carolina, Office of the President, and the vice-president of academic affairs of the North Carolina Community College System Office shall be the liaisons for matters related to the execution of the study.

SECTION 8.12.(i) The University of North Carolina, Office of the President, and the North Carolina Community College System shall provide the contractor with access and use of information databases to the extent that such access and use is necessary for the study and does not violate legal and ethical codes or create disruptions of normal operations.

SECTION 8.12.(j) The University of North Carolina, Office of the President, and the North Carolina Community College System shall each transfer thirty-five thousand dollars ($35,000) to the Joint Legislative Education Oversight Committee to carry out this study.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

AUTOMOTIVE TRAINING INCENTIVE

SECTION 8.13. Of the funds appropriated in this act for the State Board of Community Colleges for the 2003-2004 fiscal year, the sum of one hundred twenty-five thousand dollars ($125,000) shall be used for a nonrecurring grant to the North Carolina Community College Foundation provided that a like amount is provided by the North Carolina Automotive Dealers Association to match these funds on a dollar-for-dollar basis. The North Carolina Community College Foundation shall use these funds to provide incentive programming at the colleges that offer Automotive Systems Technology. The funds shall be used to:

(1) Increase awareness of careers available in the franchised automobile and truck industry in North Carolina;

(2) Increase awareness within North Carolina's middle school and high school guidance counselors and workforce development coordinators;

(3) Increase public awareness of teaching opportunities in North Carolina's high schools and community colleges in the area of automotive technology;

(4) Increase opportunities in continuing education for automotive technology high school and community college instructors;

(5) Provide a program coordinator to work with the franchised car and truck dealers and with community college and high school automotive professionals to ensure that the automotive curriculum is uniform and appropriate; and

(6) Increase resources to assist high schools and community colleges in gaining and maintaining certification for their respective automotive technology programs.

PART IX. UNIVERSITIES

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

UNC FLEXIBILITY GUIDELINES

SECTION 9.1. The Chancellor of each constituent institution shall report to the Board of Governors of The University of North Carolina on the reductions made to the General Fund budget codes in order to meet the reduction reserve amounts for that institution. The President of The University of North Carolina shall report to the Board of Governors of The University of North Carolina on the reductions made to the General Fund budget codes controlled by the Board in order to meet the reduction reserve amounts for those entities. The Board of Governors shall make a summary report to the Office of State Budget and Management and the Fiscal Research Division by December 31, 2003, on all reductions made by these entities and constituent institutions in order to reduce the budgets by the targeted amounts.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

ESCHEAT FUNDS

SECTION 9.2.(a) There is appropriated from the Escheat Fund income to the Board of Governors of The University of North Carolina the sum of eighteen million six hundred seven thousand two hundred ninety-three dollars ($18,607,293) for each year of the 2003-2005 fiscal biennium and to the State Board of Community Colleges the sum of seven million sixty-two thousand eight hundred six dollars ($7,062,806) for each year of the 2003-2005 fiscal biennium. These funds shall be allocated by the State Educational Assistance Authority for need-based student financial aid in accordance with G.S. 116B-7.

SECTION 9.2.(b) The Director of the Budget shall include General Fund appropriations in the amounts provided in subsection (a) of this section in the proposed 2005-2007 fiscal biennium continuation budget for the purposes provided in G.S. 116B-7.

SECTION 9.2.(c) The State Education Assistance Authority (SEAA) shall perform all of the administrative functions necessary to implement the program of financial aid. The SEAA shall conduct periodic evaluations of expenditures of the scholarship programs to determine if allocations are utilized to ensure access to institutions of higher learning and to meet the goals of the respective programs. The SEAA may make recommendations for redistribution of funds to The University of North Carolina and the President of the Community College System regarding their respective scholarship programs, who then may authorize redistribution of unutilized funds for a particular fiscal year.

SECTION 9.2.(d) All obligations to students for uses of the funds set out in subsection (a) of this section that were made prior to the effective date of this section shall be fulfilled as to students who remain eligible under the provisions of the respective programs.

Requested by: Representatives L. Johnson, Preston, Tolson, Yongue

UNC BOND PROJECT MODIFICATIONS

SECTION 9.3.(a) Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at Elizabeth City State University by substituting a project entitled "Campus Infrastructure Improvements" for "Doles Residence Hall – Comprehensive Renovation" as contained in Section 2(a) of S.L. 2000-3, as a residence hall that has been provided for from housing receipts and campus

infrastructure improvements will allow energy conservation and savings. Section 2(a) of S.L. 2000-3 is therefore amended in the portion under Elizabeth City State University by deleting "Doles Residence Hall – Comprehensive Renovation...$1,722,500" and by substituting "Campus Infrastructure Improvements...$1,722,500".

SECTION 9.3.(b) Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at North Carolina Central University, due to increasing enrollment growth, by substituting a project entitled "Pearson Cafeteria – Expansion" for "Pearson Cafeteria – Comprehensive Renovation" as contained in Section 2(a) of S.L. 2000-3, by deleting a project entitled "Old Senior Dorm – Conversion to Academic Use" as contained in Section 2(a) of S.L. 2000-3 and by transferring the funds of two million one hundred thirty thousand seven hundred dollars ($2,130,700) from the project entitled "Old Senior Dorm – Conversion to Academic Use", as contained in Section 2(a) of S.L. 2000-3, and by transferring a portion of the funds from a project entitled "Farrison-Newton Building – Comprehensive Renovation of Classroom Building", as contained in Section 2(a) of S.L. 2000-3, to this substitute project. Section 2(a) of S.L. 2000-3 is therefore amended as follows:

(1) In the portion entitled "Pearson Cafeteria – Comprehensive Renovation" under North Carolina Central University, by deleting "Comprehensive Renovation" and by substituting "Expansion" and by adding $7,730,700 for the project so that it reads "Pearson Cafeteria – Expansion...$8,994,300".

(2) In the portion under North Carolina Central University, by deleting "Old Senior Dorm – Conversion to Academic Use...$2,130,700".

(3) In the portion entitled "Farrison-Newton Building – Comprehensive Renovation of Classroom Building" under North Carolina Central University, by decreasing by $5,600,000 the $7,048,700 for the project so that it reads "Farrison-Newton Building – Comprehensive Renovation of Classroom Building...$1,448,700".

SECTION 9.3.(c) Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at the University of North Carolina at Asheville by substituting a project entitled "Carmichael Hall Classroom Building – Demolition and New Construction" for "Carmichael Hall Classroom Building – Comprehensive Renovation" as contained in Section 2(a) of S.L. 2000-3, as it has been determined that it is more cost-effective to replace this facility than to renovate it. Section 2(a) of S.L. 2000-3 is therefore amended in the portion under the University of North Carolina at Asheville by deleting "Carmichael Hall Classroom Building – Comprehensive Renovation" and by adding "Carmichael Hall Classroom Building – Demolition and New Construction".

SECTION 9.3.(d) Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at the University of North Carolina at Pembroke, due to enrollment growth higher than projected, by adding a project entitled "General Purpose Classroom Building" to Section 2(a) of S.L. 2000-3 and by transferring a portion of the funds from the project entitled "Residence/Dining Hall – Replacement of Jacobs & Wellons Halls", as contained in Section 2(a) of S.L. 2000-3, to this substitute project. Section 2(a) of S.L. 2000-3 is therefore amended in the portion under the University of North Carolina at Pembroke by substituting "Residence/Dining Hall – Replacement of Jacobs & Wellons Halls...$325,300" and by adding "General Purpose Classroom Building...$7,375,000".

SECTION 9.3.(e) Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at Winston-Salem State University by

substituting a project entitled "Anderson Center – Comprehensive Renovation" for "Anderson Center – Comprehensive Renovation & Change of Use for Early Childhood/Gerontology Programs", as contained in Section 2(a) of S.L. 2000-3, by adding a project entitled "Coltrane Hall – Renovation to House Gerontology", by transferring a portion of the funds from the project entitled "Anderson Center – Comprehensive Renovation & Change of Use for Early Childhood/Gerontology Programs", as contained in Section 2(a) of S.L. 2000-3, to the new project entitled "Coltrane Hall – Renovation to House Gerontology", by adding a project entitled "New Facility for the Early Childhood Program", and by transferring a portion of the funds from the project entitled "Anderson Center – Comprehensive Renovation & Change of Use for Early Childhood/Gerontology Programs", as contained in Section 2(a) of S.L. 2000-3, to the new project entitled "New Facility for the Early Childhood Program". Section 2(a) of S.L. 2000-3 is therefore amended as follows:

(1) In the portion entitled "Anderson Center – Comprehensive Renovation & Change of Use for Early Childhood/Gerontology Programs" under Winston-Salem State University, by deleting "& Change of Use for Early Childhood/Gerontology Programs" and by decreasing by $1.9 million the $6,917,900 for the project so that it reads "Anderson Center – Comprehensive Renovation...$5,017,900".

(2) In the portion under Winston-Salem State University, by adding a new project "Coltrane Hall – Renovation to House Gerontology...$400,000".

(3) In the portion under Winston-Salem State University, by adding a new project "New Facility for the Early Childhood Program...$1,500,000".

SECTION 9.3.(f) Pursuant to Section 2(b) of S.L. 2000-3, the General Assembly finds that it is in the best interest of the State to respond to current educational and research program requirements at Winston-Salem State University by substituting a project entitled "New Student Health Center" for "Health Center Bldg. & Old Nursing Bldg. – Comprehensive Renovation for Student Health", as contained in Section 2(a) of S.L. 2000-3, and by using the existing project budget for a new health facility, as it has been determined that the two existing buildings are in poor condition and have been recommended for future demolition. Section 2(a) of S.L. 2000-3 is therefore amended in the portion under Winston-Salem State University by deleting "Health Center Bldg. and Old Nursing Bldg. – Comprehensive Renovation for Student Health" and by substituting "New Student Health Center".

SECTION 9.3.(g) Nothing in this section is intended to supersede any other requirement of law or policy for approval of the substituted capital improvement projects.

PART X. DEPARTMENT OF HEALTH AND HUMAN SERVICES

SUBPART 1. ADMINISTRATION

Requested by: Representatives Barnhart, Nye

PETROLEUM OVERCHARGE FUNDS ALLOCATION

SECTION 10.1.(a) There is appropriated from funds and interest thereon received from the case of United States v. Exxon that remain in the Special Reserve for Oil Overcharge Funds to the Department of Health and Human Services the sum of one million dollars ($1,000,000) for the 2003-2004 fiscal year to be allocated for the Weatherization Assistance Program.

SECTION 10.1.(b) Any funds remaining in the Special Reserve for Oil Overcharge Funds after the allocation made pursuant to subsection (a) of this section may be expended only as authorized by the General Assembly. All interest or income accruing from all deposits or investments of cash balances shall be credited to the Special Reserve for Oil Overcharge Funds.

Requested by: Representatives Barnhart, Nye

OFFICE OF POLICY AND PLANNING

SECTION 10.2.(a) To promote coordinated policy development and strategic planning for the State's health and human services systems, the Secretary of Health and Human Services shall establish an Office of Policy and Planning from existing resources across the Department. The Director of the Office of Policy and Planning shall report directly to the Secretary and shall have the following responsibilities:

(1) Coordinate the development of departmental policies, plans, and rules, in consultation with the Divisions of the Department.

(2) Development of a departmental process for the development and implementation of new policies, plans, and rules.

(3) Development of a departmental process for the review of existing policies, plans, and rules to ensure that departmental policies, plans, and rules are relevant.

(4) Coordination and review of all departmental policies before dissemination to ensure that all policies are well-coordinated within and across all programs.

(5) Implementation of ongoing strategic planning that integrates budget, personnel, and resources with the mission and operational goals of the Department.

(6) Review, disseminate, monitor, and evaluate best practice models.

SECTION 10.2.(b) Under the direction of the Secretary of Health and Human Services, the Director of the Office of Policy and Planning shall have the authority to direct Divisions, offices, and programs within the Department to conduct periodic reviews of policies, plans, and rules and shall advise the Secretary when it is determined to be appropriate or necessary to modify, amend, and repeal departmental policies, plans, and rules. All policy and management positions within the Office of Policy and Planning are exempt positions as that term is defined in G.S. 126-5.

Requested by: Representatives Barnhart, Nye

WEATHERIZATION ASSISTANCE PROGRAM

SECTION 10.3. Article 2 of Chapter 108A of the General Statutes is amended by adding the following new Part to read:

"Part 9. Weatherization Assistance Program and Heating/Air Repair and Replacement Program.

"**§ 108A-70.30. Weatherization Assistance Program and Heating/Air Repair and Replacement Program.**

The Department may administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program functions. Nothing in this Part shall be construed as obligating the General Assembly to appropriate funds for the Program or as entitling any person to services under the Program."

Requested by: Representatives Barnhart, Nye

NONMEDICAID REIMBURSEMENT CHANGES

SECTION 10.4. Providers of medical services under the various State programs, other than Medicaid, offering medical care to citizens of the State shall be reimbursed at rates no more than those under the North Carolina Medical Assistance Program.

The Department of Health and Human Services may reimburse hospitals at the full prospective per diem rates without regard to the Medical Assistance Program's annual limits on hospital days. When the Medical Assistance Program's per diem rates for inpatient services and its interim rates for outpatient services are used to reimburse

providers in nonmedicaid medical service programs, retroactive adjustments to claims already paid shall not be required.

Notwithstanding the provisions of paragraph one, the Department of Health and Human Services may negotiate with providers of medical services under the various Department of Health and Human Services programs, other than Medicaid, for rates as close as possible to Medicaid rates for the following purposes: contracts or agreements for medical services and purchases of medical equipment and other medical supplies. These negotiated rates are allowable only to meet the medical needs of its nonmedicaid eligible patients, residents, and clients who require such services which cannot be provided when limited to the Medicaid rate.

Maximum net family annual income eligibility standards for services in these programs shall be as follows:

Family Size	Medical Eye Care Adults	Rehabilitation Except DSB Over 55 Grant	Other
1	$4,860	$8,364	$4,200
2	5,940	10,944	5,300
3	6,204	13,500	6,400
4	7,284	16,092	7,500
5	7,821	18,648	7,900
6	8,220	21,228	8,300
7	8,772	21,708	8,800
8	9,312	22,220	9,300

The eligibility level for children in the Medical Eye Care Program in the Division of Services for the Blind shall be one hundred percent (100%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults 55 years of age or older who qualify for services through the Division of Services for the Blind, Independent Living Rehabilitation Program, shall be two hundred percent (200%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. The eligibility level for adults in the Atypical Antipsychotic Medication Program in the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services shall be one hundred fifty percent (150%) of the federal poverty guidelines, as revised annually by the United States Department of Health and Human Services and in effect on July 1 of each fiscal year. Additionally, those adults enrolled in the Atypical Antipsychotic Medication Program who become gainfully employed may continue to be eligible to receive State support, in decreasing amounts for the purchase of atypical antipsychotic medication and related services up to three hundred percent (300%) of the poverty level.

State financial participation in the Atypical Antipsychotic Medication Program for those enrollees who become gainfully employed is as follows:

Income (% of poverty)	State Participation	Client Participation
0-150%	100%	0%
151-200%	75%	25%
201-250%	50%	50%
251-300%	25%	75%
300% and over	0%	100%

The Department of Health and Human Services shall contract at, or as close as possible to, Medicaid rates for medical services provided to residents of State facilities of the Department.

Requested by: Representatives Barnhart, Nye

SENIOR CARES PROGRAM ADMINISTRATION

SECTION 10.5. The Department of Health and Human Services may administer the "Senior Cares" prescription drug access program approved by the Health and Wellness Trust Fund Commission and funded from the Health and Wellness Trust Fund.

Requested by: Representatives Barnhart, Nye

PHYSICIAN SERVICES

SECTION 10.6. With the approval of the Office of State Budget and Management, the Department of Health and Human Services may use funds appropriated in this act 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. This offsetting shall be done in the same manner as is currently done with the constituent institutions of The University of North Carolina.

Requested by: Representatives Barnhart, Nye

LIABILITY INSURANCE

SECTION 10.7.(a) The Secretary of the Department of Health and Human Services, the Secretary of the Department of Environment and Natural Resources, and the Secretary of the Department of Correction may provide medical liability coverage not to exceed one million dollars ($1,000,000) per incident on behalf of employees of the Departments licensed to practice medicine or dentistry, all licensed physicians who are faculty members of The University of North Carolina who work on contract for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services for incidents that occur in Division programs, and on behalf of physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services. This coverage may include commercial insurance or self-insurance and shall cover these individuals for their acts or omissions only while they are engaged in providing medical and dental services pursuant to their State employment or training.

SECTION 10.7.(b) The coverage provided under this section shall not cover any individual for any act or omission that the individual knows or reasonably should know constitutes a violation of the applicable criminal laws of any state or the United States, or that arises out of any sexual, fraudulent, criminal, or malicious act, or out of any act amounting to willful or wanton negligence.

SECTION 10.7.(c) The coverage provided pursuant to this section shall not require any additional appropriations and shall not apply to any individual providing contractual service to the Department of Health and Human Services, the Department of Environment and Natural Resources, or the Department of Correction, with the exception that coverage may include physicians in all residency training programs from The University of North Carolina who are in training at institutions operated by the Department of Health and Human Services and licensed physicians who are faculty members of The University of North Carolina who work for the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

Requested by: Representatives Barnhart, Nye

BUTNER COMMUNITY LAND RESERVATION

SECTION 10.8. The Department of Health and Human Services shall reserve and dedicate the following described land for the construction of a community building and related facilities to serve the Butner Reservation:

"Approximately 2 acres, on the east side it borders Central Avenue with a line running along the Wallace Bradshur property on the north back to the tree line next to the ADATC. From there it follows the tree line south and west to and including the

softball field. From the softball field it turns east to the State Employees Credit Union and follows the Credit Union property on the south side back to Central Avenue."

This land shall be reserved and dedicated for the project which shall be funded with contributions from Granville County, contributions from the residents of the Butner Reservation, the use of cablevision franchise rebate funds received by the Department of Health and Human Services on behalf of the Butner Reservation, and other public and private sources.

SUBPART 2. DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES

Requested by: Representatives Barnhart, Nye

MENTAL HEALTH, DEVELOPMENTAL DISABILITY, AND SUBSTANCE ABUSE SERVICES TRUST FUND FOR SYSTEM REFORM BRIDGE AND CAPITAL FUNDING NEEDS AND OLMSTEAD

SECTION 10.9. Moneys in the Trust Fund established pursuant to G.S. 143-15.3D shall be used to establish or expand community-based services only if sufficient recurring funds can be identified within the Department of Health and Human Services from funds currently budgeted for mental health, developmental disabilities, and substance abuse services, area mental health programs or county programs, or local government.

Requested by: Representatives Barnhart, Nye

EXTEND MENTAL HEALTH CONSUMER ADVOCACY PROGRAM CONTINGENT UPON FUNDS APPROPRIATED BY THE 2005 GENERAL ASSEMBLY

SECTION 10.10. Section 4 of S.L. 2001-437, as amended by Section 10.30 of S.L. 2002-126, reads as rewritten:

"**SECTION 4.** Sections 1.1 through 1.21(b) of this act become effective July 1, 2002. Section 2 of this act becomes effective only if funds are appropriated by the ~~2003~~ 2005 General Assembly for that purpose. Section 2 of this act becomes effective July 1 of the fiscal year for which funds are appropriated by the ~~2003~~ 2005 General Assembly for that purpose. The remainder of this act is effective when it becomes law."

Requested by: Representatives Barnhart, Nye

SUBSTANCE ABUSE PREVENTION SERVICES REPORTING

SECTION 10.11. The Department of Health and Human Services shall report on its activities under Section 10.24 of S.L. 2002-126 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 not later than December 1, 2003.

Requested by: Representatives Barnhart, Nye

DOROTHEA DIX HOSPITAL

SECTION 10.12.(a) In keeping with the United States Supreme Court decision in Olmstead vs. L.C. & E.W. and State policy to provide appropriate services to clients in the least restrictive and most appropriate environment, the Department of Health and Human Services shall develop and implement a plan for the construction of a replacement facility for Dorothea Dix Hospital and for the transition of patients to the community or to other long-term care facilities, as appropriate. The goal is to develop mechanisms and identify resources needed to enable patients and their families to receive the necessary services and supports based on the following guiding principles:

(1) Individuals shall be provided acute psychiatric care in non-State facilities when appropriate.

(2) Individuals shall be provided acute psychiatric care in State facilities only when non-State facilities are unavailable.
(3) Individuals shall receive evidenced-based psychiatric services and care that are cost-efficient.
(4) The State shall minimize cost shifting to other State and local facilities or institutions.

SECTION 10.12.(b) The Department of Health and Human Services shall conduct an analysis of the individual patient service needs and shall develop and implement an individual transition plan, as appropriate, for patients in each hospital. The State shall ensure that each individual transition plan, as appropriate, shall take into consideration the availability of appropriate alternative placements based on the needs of the patient and within resources available for the mental health, developmental disabilities, and substance abuse services system. In developing each plan, the Department shall consult with the patient and the patient's family or other legal representative.

SECTION 10.12.(c) In accordance with the plan established in subsections (a) and (b) of this section, any nonrecurring savings in State appropriations that result from reductions in beds or services shall be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs. These funds shall be used to facilitate the transition of clients into appropriate community-based services and supports in accordance with G.S. 143-15.3D. Recurring savings realized through implementation of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (i) for implementation of subsections (a) and (b) of this section, and (ii) to support the recurring costs of additional community-based placements from Division facilities in accordance with Olmstead vs. L.C. & E.W.

SECTION 10.12.(e) The Department of Health and Human Services shall submit reports on the status of implementation of this section to the Joint Legislative Commission on Governmental Operations, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. These reports shall be submitted on December 1, 2003, and May 1, 2004.

Requested by: Representatives Barnhart, Nye

COMPREHENSIVE TREATMENT SERVICES PROGRAM

SECTION 10.13. The Department of Health and Human Services shall report on its continuing implementation of the Comprehensive Treatment Services Program established pursuant to Section 21.60 of S.L. 2001-424. The Department shall submit an interim report on December 1, 2003, and a final report not later than April 1, 2004, 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.

Requested by: Representatives Barnhart, Nye

MENTAL RETARDATION CENTER DOWNSIZING

SECTION 10.14.(a) In accordance with the Department of Health and Human Services' plan for downsizing the State's regional mental retardation facilities by four percent (4%) each year, the Department shall implement cost-containment and reduction strategies to ensure the corresponding financial and staff downsizing of each facility. The Department shall manage the client population of the mental retardation centers in order to ensure that placements for ICF/MR level of care shall be made in non-State facilities. Admissions to State ICF/MR facilities are permitted only as a last resort and only upon approval of the Department. The corresponding budgets for each of the State mental retardation centers shall be reduced, and positions shall be eliminated as the census of each facility decreases. At no time shall mental retardation

center positions be transferred to other units within a facility or assigned nondirect care activities such as outreach.

SECTION 10.14.(b) Any savings in State appropriations in each year of the 2003-2005 fiscal biennium that result from reductions in beds or services shall be applied as follows:

(1) Nonrecurring savings shall be placed in the Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs and shall be used to facilitate the transition of clients into appropriate community-based services and support in accordance with G.S. 143-15.3D, and

(2) Recurring savings realized through implementation of this section shall be retained by the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to support the recurring costs of additional community-based placements from Division facilities in accordance with Olmstead vs. L.C. & E.W. In determining the savings in this section, savings shall include all savings realized from the downsizing of the State mental retardation centers including both the savings in direct State appropriations in the budgets of the State mental retardation centers as well as the savings in the State matching portion of reduced Medicaid payments associated with downsizing.

SECTION 10.14.(c) The Department of Health and Human Services shall report on its progress in complying with this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. The progress report shall be submitted not later than January 15, 2004, and a final report submitted not later than May 1, 2004.

SECTION 10.14.(d) Downsizing of mental retardation centers which occurs in the 2003-2004 fiscal year shall be maintained for the 2004-2005 fiscal year. Effective July 1, 2003, downsizing shall be accomplished in accordance with this section and the State Plan for Mental Health, Developmental Disabilities, and Substance Abuse Services. All savings resulting from downsizing occurring on and after July 1, 2003, shall be utilized as set forth in subsection (b) of this section.

Requested by: Representatives Barnhart, Nye

MENTAL RETARDATION CENTER OUTREACH PLAN

SECTION 10.15.(a) The Department of Health and Human Services shall develop and implement a plan for the reorganization of outreach services performed by the State mental retardation centers. The plan shall include the following:

(1) The elimination of all activities in the State mental retardation centers centered on the identification and referral of persons in the community in need of specialized services to the mental retardation centers.

(2) The transfer of responsibility to area and county mental health programs for all community referral functions for specialized services at the mental retardation centers.

(3) The method for allocating savings in State appropriations from the mental retardation centers across the area and county mental health programs.

(4) The retention in the mental retardation centers of community transition activities currently performed as part of outreach. These activities include coordinating for transition of residents from the mental retardation centers to the area and county mental health programs and technical assistance for community service providers and families who will care for the transitioned residents.

SECTION 10.15.(b) In accordance with the plan established in subsection (a) of this section, any recurring and nonrecurring savings in State appropriations in excess of five hundred thirty-seven thousand three hundred twenty-eight dollars ($537,328) in each year of the 2003-2005 fiscal biennium that result from reductions in outreach activities in the mental retardation centers shall be transferred from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to area and county mental health programs for the purpose of performing community referral activities designated in subsection (a) of this section.

SECTION 10.15.(c) The Department of Health and Human Services shall report on the implementation of this section to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. This report shall be submitted on February 1, 2004.

Requested by: Representatives Barnhart, Nye

SERVICES TO MULTIPLY-DIAGNOSED ADULTS

SECTION 10.16.(a) In order to ensure that multiply-diagnosed adults are appropriately served by the mental health, developmental disabilities, and substance abuse services system, the Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, shall do the following with respect to services provided to these adults:

(1) Implement the following guiding principles for the provision of services:
   a. Service delivery system must be outcome oriented and evaluation based.
   b. Services should be delivered as close as possible to the consumer's home.
   c. Services selected should be those that are most efficient in terms of cost and effectiveness.
   d. Services should not be provided solely for the convenience of the provider or the client.
   e. Families and consumers should be involved in decision making throughout treatment planning and delivery; and

(2) Provide those treatment services that are medically necessary.

(3) Implement utilization review of services provided.

SECTION 10.16.(b) The Department of Health and Human Services shall implement all of the following cost-reduction strategies:

(1) Preauthorization for all services except emergency services.

(2) Criteria for determining medical necessity.

(3) Clinically appropriate services.

(4) Not later than May 1, 2004, conduct a State review of (i) individualized service plans for former Thomas S. class members and for adults whose service plan exceeds one hundred thousand dollars ($100,000) to ensure that service plans focus on delivery of appropriate services rather than optimal treatment and habilitation plans, and (ii) staffing patterns of residential services.

SECTION 10.16.(c) No State funds shall be used for the purchase of single-family or other residential dwellings to house multiply-diagnosed adults.

SECTION 10.16.(d) The Department shall submit a progress report on implementation of this section not later than February 1, 2004, and a final report not later than May 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Representatives Barnhart, Nye

AREA MENTAL HEALTH ADMINISTRATIVE COSTS

SECTION 10.17.(a) Area mental health, developmental disabilities, and substance abuse authorities or counties administering mental health, developmental disabilities, and substance abuse services shall develop and implement plans to reduce local administrative costs. The plans shall be developed in accordance with guidelines adopted by the Secretary, in consultation with the Local Government Commission and the North Carolina Association of County Commissioners, and in accordance with the following:

(1) Administrative costs for area mental health, developmental disabilities, and substance abuse services programs shall not exceed thirteen percent (13%).

(2) Administrative costs for counties administering mental health, developmental disabilities, and substance abuse services through a county program shall not exceed thirteen percent (13%).

SECTION 10.17.(b) The Department of Health and Human Services shall report its progress in complying with this section not later than January 1, 2004, and April 15, 2004. The reports shall be submitted to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division and shall include:

(1) A description of the process used and the participants involved in complying with subsection (a) of this section.

(2) The guidelines developed under subsection (a) of this section.

(3) A description of local compliance initiatives and efforts including program or function consolidation.

(4) A list of area programs at or below the targeted thirteen percent (13%) for the 2003-2004 fiscal year.

(5) Projected savings in administrative costs as a result of implementation of the targeted limits required under this section.

SECTION 10.17.(c) The Department may implement alternative approaches to establish reasonable administrative cost limitations for Local Management Entities (LMEs), including both county programs and area authority models, and service providers in accordance with system reform and changes in system funding structures.

Requested by: Representatives Barnhart, Nye

PRIVATE AGENCY UNIFORM COST FINDING REQUIREMENT

SECTION 10.18.(a) To ensure uniformity in rates charged to area programs and funded with State-allocated resources, the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services of the Department of Health and Human Services may require a private agency that provides services under contract with an area program or county program, except for hospital services that have an established Medicaid rate, to complete an agency-wide uniform cost finding in accordance with G.S.122C-147.2. The resulting cost shall be the maximum included for the private agency in the contracting area program's unit cost finding.

SECTION 10.18.(b) If a private agency fails to timely and accurately complete the required agency-wide uniform cost finding in a manner acceptable to the Department's controller's office, the Department may suspend all Department funding and payment to the private agency until such time as an acceptable cost finding has been completed by the private agency and approved by the Department's controller's office.

SUBPART 3. DIVISION OF MEDICAL ASSISTANCE

Requested by: Representatives Barnhart, Nye

MEDICAID

SECTION 10.19.(a) Funds appropriated in this act for services provided in accordance with Title XIX of the Social Security Act (Medicaid) are for both the categorically needy and the medically needy. Funds appropriated for these services shall be expended in accordance with the following schedule of services and payment bases. All services and payments are subject to the language at the end of this subsection.

Services and payment bases:

(1) Hospital-Inpatient. – Payment for hospital inpatient services will be prescribed in the State Plan as established by the Department of Health and Human Services.

(2) Hospital-Outpatient. – Eighty percent (80%) of allowable costs or a prospective reimbursement plan as established by the Department of Health and Human Services.

(3) Nursing Facilities. – Payment for nursing facility services will be prescribed in the State Plan as established by the Department of Health and Human Services. Nursing facilities providing services to Medicaid recipients who also qualify for Medicare must be enrolled in the Medicare program as a condition of participation in the Medicaid program. State facilities are not subject to the requirement to enroll in the Medicare program. Residents of nursing facilities who are eligible for Medicare coverage of nursing facility services must be placed in a Medicare certified bed. Medicaid shall cover facility services only after the appropriate services have been billed to Medicare. The Division of Medical Assistance shall allow nursing facility providers sufficient time from the effective date of this act to certify additional Medicare beds if necessary. In determining the date that the requirements of this subdivision become effective, the Division of Medical Assistance shall consider the regulations governing certification of Medicare beds and the length of time required for this process to be completed.

(4) Intermediate Care Facilities for the Mentally Retarded. – As prescribed in the State Plan as established by the Department of Health and Human Services.

(5) Drugs. – Drug costs as allowed by federal regulations plus a professional services fee per month excluding refills for the same drug or generic equivalent during the same month. Reimbursement shall be available for up to six prescriptions per recipient, per month, including refills. Payments for drugs are subject to the provisions of subsection (h) of this section and to the provisions at the end of subsection (a) of this section, or in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal reimbursement regulations. Payment of the professional services fee shall be made in accordance with the State Plan adopted by the Department of Health and Human Services, consistent with federal reimbursement regulations. The professional services fee shall be five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. Adjustments to the professional services fee shall be established by the General Assembly.

(6) Physicians, Chiropractors, Podiatrists, Optometrists, Dentists, Certified Nurse Midwife Services, Nurse Practitioners. – Fee schedules as developed by the Department of Health and Human Services. Payments for dental services are subject to the provisions of subsection (g) of this section.

(7) Community Alternative Program, EPSDT Screens. – Payment to be made in accordance with rate schedule developed by the Department of Health and Human Services.
(8) Home Health and Related Services, Private Duty Nursing, Clinic Services, Prepaid Health Plans, Durable Medical Equipment. – Payment to be made according to reimbursement plans developed by the Department of Health and Human Services.
(9) Medicare Buy-In. – Social Security Administration premium.
(10) Ambulance Services. – Uniform fee schedules as developed by the Department of Health and Human Services. Public ambulance providers will be reimbursed at cost.
(11) Hearing Aids. – Actual cost plus a dispensing fee.
(12) Rural Health Clinic Services. – Provider-based, reasonable cost; nonprovider-based, single-cost reimbursement rate per clinic visit.
(13) Family Planning. – Negotiated rate for local health departments. For other providers, see specific services, for instance, hospitals, physicians.
(14) Independent Laboratory and X-Ray Services. – Uniform fee schedules as developed by the Department of Health and Human Services.
(15) Optical Supplies. – One hundred percent (100%) of reasonable wholesale cost of materials.
(16) Ambulatory Surgical Centers. – Payment as prescribed in the reimbursement plan established by the Department of Health and Human Services.
(17) Medicare Crossover Claims. – An amount up to the actual coinsurance or deductible or both, in accordance with the State Plan, as approved by the Department of Health and Human Services.
(18) Physical Therapy and Speech Therapy. – Services limited to EPSDT eligible children. Payments are to be made only to qualified providers at rates negotiated by the Department of Health and Human Services. Physical therapy (including occupational therapy) and speech therapy services are subject to prior approval and utilization review.
(19) Personal Care Services. – Payment in accordance with the State Plan approved by the Department of Health and Human Services.
(20) Case Management Services. – Reimbursement in accordance with the availability of funds to be transferred within the Department of Health and Human Services.
(21) Hospice. – Services may be provided in accordance with the State Plan developed by the Department of Health and Human Services.
(22) Other Mental Health Services. – Unless otherwise covered by this section, coverage is limited to:
a. Services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) when provided in agencies meeting the requirements of the rules established by the Commission for Mental Health, Developmental Disabilities, and Substance Abuse Services, and reimbursement is made in accordance with a State Plan developed by the Department of Health and Human Services not to exceed the upper limits established in federal regulations, and
b. For children eligible for EPSDT services:
1. Licensed or certified psychologists, licensed clinical social workers, certified clinical nurse specialists in psychiatric mental health advanced practice, and nurse

practitioners certified as clinical nurse specialists in psychiatric mental health advanced practice, when Medicaid-eligible children are referred by the Carolina ACCESS primary care physician or the area mental health program, and

2. Institutional providers of residential services as defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and approved by the Centers for Medicare and Medicaid Services (CMS) for children and Psychiatric Residential Treatment Facility services that meet federal and State requirements as defined by the Department.

Notwithstanding G.S. 150B-121.1(a), the Department of Health and Human Services may adopt temporary rules in accordance with Chapter 150B of the General Statutes further defining the qualifications of providers and referral procedures in order to implement this subdivision. Coverage policy for services defined by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services under paragraphs a. and b.2 of this subdivision shall be established by the Division of Medical Assistance.

(23) Medically Necessary Prosthetics or Orthotics for EPSDT Eligible Children. – Reimbursement in accordance with the State Plan approved by the Department of Health and Human Services.

(24) Health Insurance Premiums. – Payments to be made in accordance with the State Plan adopted by the Department of Health and Human Services consistent with federal regulations.

(25) Medical Care/Other Remedial Care. – Services not covered elsewhere in this section include related services in schools; health professional services provided outside the clinic setting to meet maternal and infant health goals; and services to meet federal EPSDT mandates. Services addressed by this paragraph are limited to those prescribed in the State Plan as established by the Department of Health and Human Services.

(26) Pregnancy Related Services. – Covered services for pregnant women shall include nutritional counseling, psychosocial counseling, and predelivery and postpartum home visits by maternity care coordinators and public health nurses.

Services and payment bases may be changed with the approval of the Director of the Budget.

Payment is limited to Medicaid enrolled providers that purchase a performance bond in an amount not to exceed one hundred thousand dollars ($100,000) naming as beneficiary the Department of Health and Human Services, Division of Medical Assistance, or provide to the Department a validly executed letter of credit or other financial instrument issued by a financial institution or agency honoring a demand for payment in an equivalent amount. The Department may waive or limit the requirements of this paragraph for one or more classes of Medicaid enrolled providers based on the provider's dollar amount of monthly billings to Medicaid or the length of time the provider has been licensed in this State to provide services. In waiving or limiting requirements of this paragraph the Department shall take into consideration the potential fiscal impact of the waiver or limitation on the State Medicaid Program. The Department may adopt temporary rules in accordance with G.S. 150B-21.1 as necessary to implement this provision.

Reimbursement is available for up to 24 visits per recipient per year to any one or combination of the following: physicians, clinics, hospital outpatient, optometrists, chiropractors, and podiatrists. Prenatal services, all EPSDT children, emergency rooms, and mental health services subject to independent utilization review

are exempt from the visit limitations contained in this paragraph. Exceptions may be authorized by the Department of Health and Human Services where the life of the patient would be threatened without such additional care. Any person who is determined by the Department to be exempt from the 24-visit limitation may also be exempt from the six-prescription limitation.

SECTION 10.19.(b) Allocation of Nonfederal Cost of Medicaid. – The State shall pay eighty-five percent (85%); the county shall pay fifteen percent (15%) of the nonfederal costs of all applicable services listed in this section.

SECTION 10.19.(c) Copayment for Medicaid Services. – The Department of Health and Human Services may establish copayment up to the maximum permitted by federal law and regulation.

SECTION 10.19.(d) Medicaid and Work First Family Assistance, Income Eligibility Standards. – The maximum net family annual income eligibility standards for Medicaid and Work First Family Assistance and the Standard of Need for Work First Family Assistance shall be as follows:

Categorically Needy		Medically Needy	
	WFFA*		
Family Size	Standard of Need	Families and Children Income Level	AA, AB, AD*
1	$4,344	$2,172	$2,900
2	5,664	2,832	3,800
3	6,528	3,264	4,400
4	7,128	3,564	4,800
5	7,776	3,888	5,200
6	8,376	4,188	5,600
7	8,952	4,476	6,000
8	9,256	4,680	6,300

*Work First Family Assistance (WFFA); Aid to the Aged (AA); Aid to the Blind (AB); and Aid to the Disabled (AD).

The payment level for Work First Family Assistance shall be fifty percent (50%) of the standard of need.

These standards may be changed with the approval of the Director of the Budget with the advice of the Advisory Budget Commission.

SECTION 10.19.(e) The Department of Health and Human Services, Division of Medical Assistance, shall provide Medicaid coverage to all elderly, blind, and disabled people who have incomes equal to or less than one hundred percent (100%) of the federal poverty guidelines, as revised each April 1.

SECTION 10.19.(f) ICF and ICF/MR Work Incentive Allowances. – The Department of Health and Human Services may provide an incentive allowance to Medicaid-eligible recipients of ICF and ICF/MR facilities who are regularly engaged in work activities as part of their developmental plan and for whom retention of additional income contributes to their achievement of independence. The State funds required to match the federal funds that are required by these allowances shall be provided from savings within the Medicaid budget or from other unbudgeted funds available to the Department. The incentive allowances may be as follows:

Monthly Net Wages	Monthly Incentive Allowance
$1.00 to $100.99	Up to $50.00
$101.00 to $200.99	$80.00
$201.00 to $300.99	$130.00
$301.00 and greater	$212.00.

SECTION 10.19.(g) Dental Coverage Limits. – Dental services shall be provided on a restricted basis in accordance with rules adopted by the Department to implement this subsection.

SECTION 10.19.(h) Dispensing of Generic Drugs. – Notwithstanding G.S. 90-85.27 through G.S. 90-85.31, or any other law to the contrary, under the Medical Assistance Program (Title XIX of the Social Security Act), and except as otherwise provided in this subsection for atypical antipsychotic drugs and drugs listed in the narrow therapeutic index, a prescription order for a drug designated by a trade or brand name shall be considered to be an order for the drug by its established or generic name, except when the prescriber has determined, at the time the drug is prescribed, that the brand name drug is medically necessary and has written on the prescription order the phrase "medically necessary". An initial prescription order for an atypical antipsychotic drug or a drug listed in the narrow therapeutic drug index that does not contain the phrase "medically necessary" shall be considered an order for the drug by its established or generic name, except that a pharmacy shall not substitute a generic or established name prescription drug for subsequent brand or trade name prescription orders of the same prescription drug without explicit oral or written approval of the prescriber given at the time the order is filled. Generic drugs shall be dispensed at a lower cost to the Medical Assistance Program rather than trade or brand name drugs. As used in this subsection, "brand name" means the proprietary name the manufacturer places upon a drug product or on its container, label, or wrapping at the time of packaging; and "established name" has the same meaning as in section 502(e)(3) of the Federal Food, Drug, and Cosmetic Act as amended, 21 U.S.C. § 352(e)(3).

SECTION 10.19.(i) The Department of Health and Human Services shall not impose prior authorization requirements or other restrictions under the State Medical Assistance Program on medications prescribed for Medicaid recipients for the treatment of : (i) mental illness, including, but not limited to, medications for schizophrenia, bipolar disorder, and major depressive disorder, or (ii) HIV/AIDS.

SECTION 10.19.(j) Exceptions to Service Limitations, Eligibility Requirements, and Payments. – Service limitations, eligibility requirements, and payments bases in this section may be waived by the Department of Health and Human Services, with the approval of the Director of the Budget, to allow the Department 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 the Department determines that such a waiver will result in a reduction in the total Medicaid costs for the recipient. The Department of Health and Human Services may proceed with planning and development work on the Program of All-Inclusive Care for the Elderly.

SECTION 10.19.(k) Volume Purchase Plans and Single Source Procurement. – The Department of Health and Human Services, Division of Medical Assistance, may, subject to the approval of a change in the State Medicaid Plan, contract for services, medical equipment, supplies, and appliances by implementation of volume purchase plans, single source procurement, or other contracting processes in order to improve cost containment.

SECTION 10.19.(l) Cost-Containment Programs. – The Department of Health and Human Services, Division of Medical Assistance, may undertake cost containment programs in accordance with Section 3 of S.L. 2001-395, including contracting for services, preadmissions to hospitals, and prior approval for certain outpatient surgeries before they may be performed in an inpatient setting.

SECTION 10.19.(m) For all Medicaid eligibility classifications for which the federal poverty level is used as an income limit for eligibility determination, the income limits will be updated each April 1 immediately following publication of federal poverty guidelines.

SECTION 10.19.(n) The Department of Health and Human Services shall provide coverage to pregnant women and to children according to the following schedule:

(1) Pregnant women with incomes equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits. In determining income eligibility under this subdivision, the income of a minor's parents shall be counted if the minor is residing in the home.

(2) Infants under the age of one with family incomes equal to or less than one hundred fifty percent (150%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

(3) Children aged one through five with family incomes equal to or less than one hundred thirty-three percent (133%) of the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

(4) Children aged six through 18 with family incomes equal to or less than the federal poverty guidelines as revised each April 1 shall be covered for Medicaid benefits.

(5) The Department of Health and Human Services shall provide Medicaid coverage for adoptive children with special or rehabilitative needs regardless of the adoptive family's income.

Services to pregnant women eligible under this subsection continue throughout the pregnancy but include only those related to pregnancy and to those other conditions determined by the Department as conditions that may complicate pregnancy. In order to reduce county administrative costs and to expedite the provision of medical services to pregnant women, to infants, and to children described in subdivisions (3) and (4) of this subsection, no resources test shall be applied.

SECTION 10.19.(o) Medicaid enrollment of categorically needy families with children shall be continuous for one year without regard to changes in income or assets.

SECTION 10.19.(p) The Division of Medical Assistance, Department of Health and Human Services, may provide incentives to counties that successfully recover fraudulently spent Medicaid funds by sharing State savings with counties responsible for the recovery of the fraudulently spent funds.

SECTION 10.19.(q) If first approved by the Office of State Budget and Management, the Division of Medical Assistance, Department of Health and Human Services, may use funds that are identified to support the cost of development and acquisition of equipment and software through contractual means to improve and enhance information systems that provide management information and claims processing. The Department of Health and Human Services shall identify adequate funds to support the implementation and first year's operational costs that exceed the currently allocated funds for the new contract for the fiscal agent for the Medicaid Management Information System.

SECTION 10.19.(r) The Department of Health and Human Services may adopt temporary rules according to the procedures established in G.S. 150B-21.1 when it finds that these rules are necessary to maximize receipt of federal funds within existing State appropriations, to reduce Medicaid expenditures, and to reduce fraud and abuse. Prior to the filing of these temporary rules with the Office of Administrative Hearings, the Department shall consult with the Office of State Budget and Management on the possible fiscal impact of the temporary rule and its effect on State appropriations and local governments.

SECTION 10.19.(s) The Department shall report to the Fiscal Research Division of the Legislative Services Office and to the House of Representatives Appropriations Subcommittee on Health and Human Services and the Senate Appropriations Committee on Health and Human Services or the Joint Legislative

Health Care Oversight Committee on any change it anticipates making in the Medicaid program that impacts the 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 (CMS). The reports shall be provided at the same time they are submitted to CMS for approval.

SECTION 10.19.(t) Upon approval of a demonstration waiver by the Centers for Medicare and Medicaid Services (CMS), the Department of Health and Human Services may provide Medicaid coverage for family planning services to men and women of child-bearing age with family incomes equal to or less than one hundred eighty-five percent (185%) of the federal poverty level. Coverage shall be contingent upon federal approval of the waiver and shall begin no earlier than January 1, 2001.

SECTION 10.19.(u) The Department of Health and Human Services, Division of Medical Assistance, shall use the latest audited cost reporting data available when establishing Medicaid provider rates or when making changes to the reimbursement methodology. For hospital services, the division shall use the latest audited cost reporting data available, supplemented by additional financial information available to the Division if and to the extent that the Division concludes that the information is reliable and relevant, when establishing rates or when making changes to the reimbursement methodology.

SECTION 10.19.(v) The Department of Health and Human Services, Division of Medical Assistance, shall implement a new coding system for therapeutic mental health services as required by the Health Insurance Portability and Accountability Act of 1996. In implementing the new coding system, the Division shall ensure that the new coding system does not discriminate between providers of therapeutic mental health services with similar qualifications and training. In meeting the requirements of this subsection, the Division shall consult with the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and the professional licensing boards responsible for licensing the affected professionals.

SECTION 10.19.(w) The Department of Health and Human Services may apply federal transfer of assets policies, as described in Title XIX, section 1917(c) of the Social Security Act, including the attachment of liens, to real property excluded as "income producing", tenancy-in-common, or as nonhomesite property made "income producing" under Title XIX, section 1902(r)(2) of the Social Security Act. The transfer of assets policy shall apply only to an institutionalized individual or the individual's spouse as defined in Title XIX, section 1917(c) of the Social Security Act. This subsection becomes effective no earlier than October 1, 2001. Federal transfer of asset policies and attachment of liens to properties excluded as tenancy-in-common or as nonhomesite property made "income producing" in accordance with this subsection shall become effective not earlier than November 1, 2002.

SECTION 10.19.(x) When implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property, the Department shall, to the maximum extent possible, employ procedures to mitigate the hardship to Medicaid enrollees occurring from application of the Supplemental Security Income (SSI) method.

SECTION 10.19.(y) The Department shall not change medical policy affecting the amount, sufficiency, duration, and scope of health care services and who may provide services until the Division of Medical Assistance has prepared a five-year fiscal analysis documenting the increased cost of the proposed change in medical policy and submitted it for Departmental review. If the fiscal impact indicated by the fiscal analysis for any proposed medical policy change exceeds three million dollars ($3,000,000) in total requirements for a given fiscal year, then the Department shall submit the proposed policy change with the fiscal analysis to the Office of State Budget and Management and the Fiscal Research Division. The Department shall not implement any proposed medical policy change exceeding three million dollars ($3,000,000) in total requirements for a given fiscal year unless the source of State

funding is identified and approved by the Office of State Budget and Management. The Department shall provide the Office of State Budget and Management and the Fiscal Research Division a quarterly report itemizing all medical policy changes with total requirements of less than three million dollars ($3,000,000).

Requested by: Representatives Barnhart, Nye

MEDICAID RESERVE FUND TRANSFER

SECTION 10.20. Of the funds transferred to the Department of Health and Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of thirty million dollars ($30,000,000) for the 2003-2004 fiscal year and the sum of thirty million dollars ($30,000,000) for the 2004-2005 fiscal year shall be allocated as prescribed by G.S. 143-23.2(b) for Medicaid Programs. Notwithstanding the prescription in G.S. 143-23.2(b) that these funds not reduce State general revenue funding, these funds shall replace the reduction in general revenue funding effected in this act.

Requested by: Representatives Barnhart, Nye

DISPOSITION OF DISPROPORTIONATE SHARE RECEIPTS

SECTION 10.21.(a) Disproportionate share receipts reserved at the end of the 2003-2004 and 2004-2005 fiscal years shall be deposited with the Department of State Treasurer as nontax revenue for each of those fiscal years.

SECTION 10.21.(b) For each year of the 2003-2005 fiscal biennium, as it receives funds associated with Disproportionate Share Payments from State hospitals, the Department of Health and Human Services, Division of Medical Assistance, shall deposit up to one hundred million dollars ($100,000,000) of these Disproportionate Share Payments to the Department of State Treasurer for deposit as nontax revenue. Any Disproportionate Share Payments collected in excess of one hundred million dollars ($100,000,000) shall be reserved by the State Treasurer for future appropriations.

Requested by: Representatives Barnhart, Nye

COUNTY MEDICAID COST SHARE

SECTION 10.22.(a) Effective July 1, 2000, the county share of the cost of Medicaid services currently and previously provided by area mental health authorities shall be increased incrementally each fiscal year until the county share reaches fifteen percent (15%) of the nonfederal share by State fiscal year 2009-2010.

SECTION 10.22.(b) Effective July 1, 2000, the county share of the cost of Medicaid Personal Care Services paid to adult care homes shall be decreased incrementally each fiscal year until the county share reaches fifteen percent (15%) of the nonfederal share by State fiscal year 2009-2010.

Requested by: Representatives Barnhart, Nye

MEDICAID COST CONTAINMENT ACTIVITIES

SECTION 10.23. The Department of Health and Human Services may use not more than three million dollars ($3,000,000) in each year of the 2003-2005 fiscal biennium in Medicaid funds budgeted for program services to support the cost of administrative activities when cost-effectiveness and savings are demonstrated. The funds shall be used to support activities that will contain the cost of the Medicaid Program, including contracting for services or hiring additional staff. Medicaid cost-containment activities may include prospective reimbursement methods, incentive-based reimbursement methods, service limits, prior authorization of services, periodic medical necessity reviews, revised medical necessity criteria, service provision in the least costly settings, and other cost-containment activities. Funds may be expended under this section only after the Office of State Budget and Management has approved a proposal for the expenditure submitted by the Department. Proposals for expenditure of funds under this section shall include the cost of implementing the

cost-containment activity and documentation of the amount of savings expected to be realized from the cost-containment activity. The Department shall provide a copy of proposals for expenditures under this section to the Fiscal Research Division.

Requested by: Representatives Barnhart, Nye

INCREASES IN FEDERAL MEDICAID FUNDS

SECTION 10.24.(a) Notwithstanding any other provision of law to the contrary, the total amount of State funds that become available to the Department of Health and Human Services for the 2003-2004 fiscal year due to an increase in federal Medicaid funds resulting from increases in the Federal Financial Participation rate shall be used to increase funds appropriated to the Department for the 2003-2004 fiscal year for the Medicaid program without any reduction in what is otherwise allocated to the Department from appropriated funds.

SECTION 10.24.(b) The Department of Health and Human Services, Division of Medical Assistance, may reinstate eligibility policies changed by this act when all of the following conditions are met:

(1) Congress approves enhanced Federal Financial Participation for State Medicaid programs.

(2) Receipt of the enhanced Federal Financial Participation is dependent on a State's maintenance of effort in Medicaid eligibility.

(3) The Department has concluded that the enacted policy changes render the State ineligible for the enhanced Federal Financial Participation.

(4) Enhanced Federal Financial Participation receipts exceed the anticipated savings in State funds from the enacted policy changes.

Requested by: Representatives Barnhart, Nye

PUBLIC ASSISTANCE AND SOCIAL SERVICES APPEALS AND ACCESS TO RECORDS

SECTION 10.25. G.S. 108A-79 reads as rewritten:

"§ 108A-79. Appeals.

(a) A public assistance applicant or recipient shall have a right to appeal the decision of the county board of social services, county department of social services, or the board of county commissioners granting, denying, terminating, or modifying assistance, or the failure of the county board of social services or county department of social services to act within a reasonable time under the rules and regulations of the Social Services Commission or the Department. Each applicant or recipient shall be notified in writing of his right to appeal upon denial of his application for assistance and at the time of any subsequent action on his case.

(b) In cases involving termination or modification of assistance, no action shall become effective until 10 workdays after notice of this action and of the right to appeal is mailed or delivered by hand to the recipient; provided, however, termination or modification of assistance may be effective immediately upon the mailing or delivery of notice in the following circumstances:

(1) When the modification is beneficial to the recipient; or

(2) When federal regulations permit immediate termination or modification upon mailing or delivery of notice and the Social Services Commission or the Department of Health and Human Services promulgates regulations adopting said federal law or regulations. When federal and State regulations permit immediate termination or modification, the recipient shall have no right to continued assistance at the present level pending a hearing, as would otherwise be provided by subsection (d) of this section.

(c) The notice of action and the right to appeal shall comply with all applicable federal and State law and regulations; provided, such notice shall, at a minimum contain a clear statement of:

(1) The action which was or is to be taken;
(2) The reasons for which this action was or is to be taken;
(3) The regulations supporting this action;
(4) The applicant's or recipient's right to both a local and State level hearing, or to a State level hearing in the case of the food stamp ~~program,~~ program and cases involving disability, on the decision to take this action and the method for obtaining these hearings;
(5) The right to be represented at the hearings by a personal representative, including an attorney obtained at the applicant's or recipient's expense;
(6) In cases involving termination or modification of assistance, the recipient's right upon timely request to continue receiving assistance at the present level pending an appeal hearing and decision on that hearing.

An applicant or recipient may give notice of appeal by written or oral statement to the county department of social services, which shall record such notice by completing a form developed by the Department.

Such notice of appeal must be given within 60 days from the date of the action, or 90 days from the date of notification in the case of the food stamp program. Failure to give timely notice of appeal constitutes a waiver of the right to a hearing except that, for good cause shown, the county department of social services may permit an appeal notwithstanding the waiver. The waiver shall not affect the right to reapply for benefits.

(d) If there is such timely appeal in cases not involving disability, in the first instance the hearing shall consist of a local appeal hearing before the county director or a designated representative of the county director, provided whoever hears the local appeal shall not have been involved directly in the initial decision giving rise to the appeal. If there is such timely appeal in cases involving disability, the county director or a designated representative of the county director shall within five days of the request for an appeal forward the request to the Department of Health and Human Services, and the Department shall designate a hearing officer who shall promptly hold a hearing in the county according to the provisions of subsections (i) and (j) of this section. The issue of disability determination is governed by federal law as codified in 42 § C.F.R. 435.541. In cases involving termination or modification of assistance (other than cases of immediate termination or modification of assistance pursuant to subsection (b)(2) of this section), the recipient shall continue to receive assistance at the present level pending the decision at the initial hearing, whether that be the local appeal hearing decision or, in cases involving questions of disability, the Department of Health and Human Services hearing decision, provided that in order to continue receiving assistance pending the initial hearing decision the recipient must request a hearing on or before the effective date of the termination or modification of assistance.

(e) The local appeal hearing shall be held not more than five days after the request for it is received. The recipient may, for good cause shown as defined by rule or regulation of the Social Services Commission or the Department, petition the county department of social services, in writing, for a delay, but in no event shall the local appeal hearing be held more than 15 days after the receipt of the request for hearing. At the local appeal hearing:

(1) The appellant and the county department may be represented by personal representatives, including attorneys, obtained at their expense.
(2) The appellant or his personal representative and the county department shall present such sworn evidence and law or regulations as bear upon the case. The hearing need not be recorded or transcribed, but the director or his representative shall summarize in writing the substance of the hearing.

(3) The appellant or his personal representative and the county department may cross-examine witnesses and present closing arguments summarizing their views of the case and the law.

(4) Prior to and during the hearing, the appellant or his personal representative shall have adequate opportunity to examine the contents of his case file for the matter pending together with those portions of other public assistance or social services case files which pertain to the appeal, and all documents and records which the county department of social services intends to use at the hearing. Those portions of the public assistance or social services case file which do not pertain to the appeal or which are required by federal statutes or regulations or by State statutes or regulations to be held confidential shall not be released to the appellant or his personal representative. In cases where the appellant has been denied access to the public assistance or social services case file the hearing officer shall certify as part of the official record that the hearing officer has examined the case files and that no portion of those files pertain to the appeal. Such certification may be subject to judicial review as provided in subsection (k) of this section. Nothing in this section is intended to restrict an applicant or recipient access to information if that access is allowed by rules and regulations promulgated pursuant to G.S. 108A-80.

(f) The director or his designated representative shall make the decision based upon the evidence presented at the hearing and all applicable regulations, and shall prepare a written statement of his decision citing the regulations and evidence to support it. This written statement of the decision will be served by certified mail on the appellant within five days of the local appeal hearing. If the decision terminating or modifying the appellant's benefits is affirmed, the assistance shall be terminated or modified, not earlier than the date the decision is mailed, and any assistance received during the time of the appeal is subject to recovery.

(g) If the appellant is dissatisfied with the decision of the local appeal hearing, he may within 15 days of the mailing notification of the decision take a further appeal to the Department. However, assistance may not be received pending this further appeal. Failure to give timely notice of further appeal constitutes a waiver of the right to a hearing before an official of the Department except that, for good cause shown, the Department may issue an order permitting a review of the local appeal hearing notwithstanding the waiver. The waiver shall not affect the right to reapply for benefits.

(h) Subsections (d)-(g) of this section shall not apply to the food stamp program. The first appeal for a food stamp recipient or his representative shall be to the Department. Pending hearing, the recipient's assistance shall be continued at the present level upon timely request.

(i) If there is an appeal from the local appeal hearing decision, or from a food stamp recipient or his representative where there is no local hearing, or if there is an appeal of a case involving questions of disability the county director shall notify the Department according to its rules and regulations. The Department shall designate a hearing officer who shall promptly hold a de novo administrative hearing in the county after giving reasonable notice of the time and place of such hearing to the appellant and the county department of social services. Such hearing shall be conducted according to ~~applicable federal law and regulations and Article 3, Chapter 150B, of the General Statutes of North Carolina; provided the~~ federal law as codified in 42 C.F.R. § 431, Subpart E and Article 3 of Chapter 150B of the General Statutes. Appeals from local evidentiary hearings shall be de novo. The Department shall adopt rules and regulations to ensure the following:

(1) Prior to and during the hearing, the appellant or his personal representative shall have adequate opportunity to examine his case file and all documents and records which the county department of social

services intends to use at the hearing together with those portions of other public assistance or social services case files which pertain to the appeal. Those portions of the public assistance or social services case files which do not pertain to the appeal or which are required by federal statutes or regulations or by State statutes or regulations to be held confidential shall not be released to the appellant or his personal representative. In cases where the appellant has been denied access to portions of the public assistance or social services case file, the hearing officer shall certify as part of the official record that the hearing officer has examined the case files and that no portion of those files pertain to the appeal. Such certification may be subject to judicial review as provided in subsection (k) of this section. Nothing in this section is intended to restrict an applicant or recipient access to information if that access is allowed by rules or regulations promulgated pursuant to G.S. 108A-80.

(2) At the appeal hearing, the appellant and personnel of the county department of social services may present such sworn evidence, law and regulations as bear upon the case.

(3) The appellant and county department shall have the right to be represented by the person of his choice, including an attorney obtained at his own expense.

(4) The appellant and county department shall have the right to cross-examine the other party as well as make a closing argument summarizing his view of the case and the law.

(5) The appeal hearing shall be recorded; however, no transcript will be prepared unless a petition for judicial review is filed pursuant to subsection (k) herein, in which case, the transcript will be made a part of the official record. In the absence of the filing of a petition for a judicial review, the recording of the appeal hearing may be erased or otherwise destroyed 180 days after the final decision is mailed.

(6) Notwithstanding G.S. 150B-28 or any other provision of State law, discovery shall be no more extensive or formal than that required by federal law and regulations applicable to such hearings.

(j) After the administrative hearing, the hearing officer shall prepare a proposal for decision, citing pertinent law, regulations, and evidence, which shall be served upon the appellant and the county department of social services or their personal representatives. The appellant and the county department of social services shall have the opportunity to present oral and written arguments in opposition to or in support of the proposal for decision to the designated official of the Department who is to make the final decision. The final decision shall be based on, conform to, and set forth in detail the relevant evidence, pertinent State and federal law and regulations, and matters officially noticed. The decision shall be rendered not more than 90 days, or 45 days in the case of the food stamp program, from the date of request for the hearing, unless the hearing was delayed at the request of the appellant. If the hearing was delayed at the appellant's request, the decision may only be delayed for the length of time the appellant requested a delay. The final decision shall be served upon the appellant and upon the county department of social services by certified mail, with a copy furnished to either party's attorney of record. In the absence of a petition for judicial review filed pursuant to subsection (k) herein, the final decision shall be binding upon the appellant, the county department of social services, the county board of social services, and the board of county commissioners.

(k) Any applicant or recipient who is dissatisfied with the final decision of the Department may file, within 30 days of the receipt of notice of such decision, a petition for judicial review in superior court of the county from which the case arose. Failure to file a petition within the time stated shall operate as a waiver of the right of such party

to review, except that, for good cause shown, a judge of the superior court resident in the district or holding court in the county from which the case arose may issue an order permitting a review of the agency decision under this Chapter notwithstanding such waiver. The hearing shall be conducted according to the provisions of Article 4, Chapter 150B, of the North Carolina General Statutes. The court shall, on request, examine the evidence excluded at the hearing under G.S. 108A-79(e)(4) or G.S. 108A-79(i)(1) and if the evidence was improperly excluded, the court shall consider it. Notwithstanding the foregoing provisions, the court may take testimony and examine into the facts of the case, including excluded evidence, to determine whether the final decision is in error under federal and State law, and under the rules and regulations of the Social Services Commission or the Department of Health and Human Services. Furthermore, the court shall set the matter for hearing within 15 days from the filing of the record under G.S. 150B-47 and after reasonable written notice to the Department of Health and Human Services and the applicant or recipient. Nothing in this subsection shall be construed to abrogate any rights that the county may have under Article 4 of Chapter 150B.

(l) In the event of conflict between federal law or regulations and State law or regulations, the federal law or regulations shall control."

Requested by: Representatives Barnhart, Nye

TRANSFER OF PROPERTY TO QUALIFY FOR MEDICAID

SECTION 10.26. G.S. 108A-58 reads as rewritten:

"**§ 108A-58. Transfer of property for purposes of qualifying for medical assistance; periods of ineligibility.**

(a) Any person, otherwise eligible, who, either while receiving medical assistance benefits or ~~within one year prior to the date of applying for medical assistance benefits, unless some other~~ within the time period ~~is~~ mandated by controlling federal law, sells, gives, assigns or transfers countable real or personal property or an interest in real or personal property for the purpose of retaining or establishing eligibility for medical assistance benefits, shall be ineligible to receive medical assistance benefits as set forth in ~~subsection (c) of this section.~~section 1917(c) of the Social Security Act. Countable real and personal property includes real property, excluding a homesite, unless other applicable federal or State law requires the homesite to be counted for transfer of property purposes, intangible personal property, nonessential motor and recreational vehicles, nonincome producing business equipment, boats and motors. The provisions of this act shall not apply to the sale, gift, assignment or transfer of real or personal property if and to the extent that the person applying for medical assistance would have been eligible for such assistance notwithstanding ownership of such property or an interest therein.

(b) Any sale, gift, assignment or transfer of real or personal property or an interest in real or personal property, as provided in subsection (a) of this section, shall be presumed to have been made for the purpose of retaining or establishing eligibility for medical assistance benefits unless the person, or the person's legal representative, who sells, gives, assigns or transfers the property or interest, receives valuable consideration at least equal to the fair market value, less encumbrances, of the property or interest.

(c) Any person who sells, gives, assigns or transfers real or personal property or an interest in real or personal property for the purpose of retaining or establishing eligibility for medical assistance benefits, as provided in subsection (a) of this section, shall, after the time of transfer, be ineligible to receive these benefits until an amount equal to the uncompensated value of the property or interest has been expended by or on behalf of the person for the person's maintenance and support, including medical expenses, paid or incurred, or shall be ineligible based on the period of time required under section 1917(c) of the Social Security Act. ~~in accordance with the following schedule, whichever is sooner;~~

~~(1) For uncompensated value of at least one thousand dollars ($1,000) but not more than six thousand dollars ($6,000), a one-year period of ineligibility from date of sale, gift, assignment or transfer;~~

~~(2) For uncompensated value of more than six thousand dollars ($6,000) but not more than twelve thousand dollars ($12,000), a two-year period of ineligibility from date of sale, gift, assignment or transfer;~~

~~(3) For uncompensated value of more than twelve thousand dollars ($12,000), a two-year period of ineligibility from date of sale, gift, assignment or transfer, plus one additional month of ineligibility for each five hundred dollar ($500.00) increment or portion thereof by which the uncompensated value exceeds twelve thousand dollars ($12,000), but in no event to exceed three years.~~

(d) The sale, gift, assignment or transfer for a consideration less than fair market value, less encumbrances, of any tangible personal property which was acquired with the proceeds of sale, assignment or transfer of real or intangible personal property described in subsection (a) of this section or in exchange for such real or intangible personal property shall be presumed to have been for the purpose of evading the provisions of this section if the acquisition and sale, gift, assignment or transfer of the tangible personal property is by or on behalf of a person receiving medical assistance or within the time period mandated by controlling federal law ~~one year of making application for such assistance~~ and the consequences of the sale, gift, assignment of transfer of such tangible personal property shall be determined under the provisions of subsections ~~(e), (f) and (g)~~ (c) and (f) of this section.

(e) The presumptions created by subsections (b) and (d) may be overcome if the person receiving or applying for medical assistance, or the person's legal representative, establishes by the greater weight of the evidence that the sale, gift, assignment or transfer was exclusively for some purpose other than retaining or establishing eligibility for medical assistance benefits.

(f) For the purpose of establishing uncompensated value under subsection (c), the value of property or an interest therein shall be the fair market value of the property or interest at the time of the sale, gift, assignment or transfer, less the amount of compensation, if any, received for the property or interest. There shall be a rebuttable presumption that the fair market value of real property is the most recent property tax value of the property, as ascertained according to Subchapter II of Chapter 105 of the General Statutes. Fair market value for purpose of this subsection shall be such value, determined as above set out, less any legally enforceable encumbrances to which the property is subject.

~~(g) In the event that there is more than one sale, gift, assignment or transfer of property or an interest therein by a person receiving medical assistance or within one year of the date of an application for medical assistance, unless some other time period is mandated by controlling federal law, the uncompensated value, for the purposes of subsection (c), shall be the aggregate uncompensated value of all sales, gifts, assignments and transfers. The date which is the midpoint between the date of the first and last sale, gift, assignment or transfer shall be the date from which the period of ineligibility shall be determined under subsection (c).~~

(h) This section shall not apply to applicants for or recipients of Work First Family Assistance or to persons entitled to medical assistance by virtue of their eligibility for Work First Family Assistance.

(i) This section shall apply only to transfers made before July 1, 1988."

Requested by: Representatives Barnhart, Nye

MEDICARE ENROLLMENT REQUIRED

SECTION 10.27. Part 6 of Article 2 of Chapter 108A of the General Statutes is amended by adding the following new section to read:

"**§ 108A-55.1. Medicare enrollment required.**

The Department shall require State Medical Assistance Program recipients who qualify for Medicare to enroll in Medicare, in accordance with Title XIX of the Social Security Act, in order to pay medical expenditures that qualify for payment under Medicare Part B. Failure to enroll in Medicare shall result in nonpayment of these expenditures under the State Medical Assistance Program. A provider may seek payment for services from Medicaid enrollees who are eligible for but not enrolled in Medicare Part B."

Requested by: Representatives Barnhart, Nye

MEDICAID ASSESSMENT PROGRAM FOR SKILLED NURSING FACILITIES

SECTION 10.28.(a) The Secretary of Health and Human Services shall implement a Medicaid assessment program for skilled nursing facilities licensed under Chapter 131E of the General Statutes. The assessment shall be imposed in a manner consistent with federal regulations under 42 C.F.R. Part 433, Subpart B. The Department shall impose the assessment effective October 1, 2003. Funds realized from assessments imposed shall be used only to draw down federal Medicaid matching funds for implementing the new reimbursement plan for nursing homes and for increasing nursing facility rates in accordance with the plan.

SECTION 10.28.(b) Funds realized from the Medicaid assessment program established pursuant to subsection (a) of this section shall not be used to supplant State funds appropriated for nursing facility services.

SECTION 10.28.(c) Funds realized from the assessment shall be used to pay one hundred percent (100%) of the nonfederal share for the new reimbursement plan for nursing homes.

Requested by: Representatives Barnhart, Nye

HEALTH CHOICE

SECTION 10.29.(a) G.S. 108A-70.20 reads as rewritten:

"**§ 108A-70.20. Program established.**

The Health Insurance Program for Children is established. The Program shall be administered by the Department of Health and Human Services in accordance with this Part and as required under Title XXI and related federal rules and regulations. Except as otherwise provided in this section, ~~Administration~~ administration of Program benefits and claims processing shall be as provided under Part 5 of Article 3 of Chapter 135 of the General Statutes. Notwithstanding any other provision of law to the contrary, when applying Medicaid reimbursement rates to services provided under the Program, the Department may administer Program benefits and claims processing when the Secretary determines that Department administration of benefits and claims processing would be more efficient and cost-effective."

SECTION 10.29.(b) G.S. 108A-70.21 reads as rewritten:

"**§ 108A-70.21. Program eligibility; benefits; enrollment fee and other cost-sharing; coverage from private plans; purchase of extended coverage.**

(a) Eligibility. – The Department may enroll eligible children based on availability of funds. Following are eligibility and other requirements for participation in the Program:

(1) Children must:

a. Be under the age of 19;

b. Be ineligible for Medicaid, Medicare, or other federal government-sponsored health insurance;

c. Be uninsured;

d. Be in a family that meets the following family income requirements:

1. Infants under the age of one year whose family income is from one hundred eighty-five percent (185%) through two hundred percent (200%) of the federal poverty level;
2. Children age one year through five years whose family income is above one hundred thirty-three percent (133%) through two hundred percent (200%) of the federal poverty level; and
3. Children age six years through eighteen years whose family income is above one hundred percent (100%) through two hundred percent (200%) of the federal poverty level;

e. Be a resident of this State and eligible under federal law; and
f. Have paid the Program enrollment fee required under this Part.

(2) Proof of family income and residency and declaration of uninsured status shall be provided by the applicant at the time of application for Program coverage. The family member who is legally responsible for the children enrolled in the Program has a duty to report any change in the enrollee's status within 60 days of the change of status.

(3) If a responsible parent is under a court order to provide or maintain health insurance for a child and has failed to comply with the court order, then the child is deemed uninsured for purposes of determining eligibility for Program benefits if at the time of application the custodial parent shows proof of agreement to notify and cooperate with the child support enforcement agency in enforcing the order.

If health insurance other than under the Program is provided to the child after enrollment and prior to the expiration of the eligibility period for which the child is enrolled in the Program, then the child is deemed to be insured and ineligible for continued coverage under the Program. The custodial parent has a duty to notify the Department within 10 days of receipt of the other health insurance, and the Department, upon receipt of notice, shall disenroll the child from the Program. As used in this paragraph, the term "responsible parent" means a person who is under a court order to pay child support.

(4) Except as otherwise provided in this section, enrollment shall be continuous for one year. At the end of each year, applicants may reapply for Program benefits.

(b) Benefits. – Except as otherwise provided for eligibility, fees, deductibles, copayments, and other cost-sharing charges, health benefits coverage provided to children eligible under the Program shall be equivalent to coverage provided for dependents under the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan, including optional prepaid plans. Prescription drug providers shall accept as payment in full, for outpatient prescriptions filled, ninety percent (90%) of the average wholesale price for the prescription drug or the amounts published by the Centers for Medicare and Medicaid Services plus a dispensing fee of five dollars and sixty cents ($5.60) per prescription for generic drugs and four dollars ($4.00) per prescription for brand name drugs. All other health care providers providing services to Program enrollees shall accept as payment in full for services rendered the maximum allowable charges under the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan for services less any copayments assessed to enrollees under this Part. No child enrolled in the Plan's self-insured indemnity program shall be required by the Plan to change health care providers as a result of being enrolled in the Program. Effective July 1, 2004, reimbursement for prescription drugs and dispensing fees, and for services provided by all other health care providers to Program enrollees, shall be equivalent to the reimbursement rate applicable for these drugs and services under the State Medical Assistance Program.

In addition to the benefits provided under the Plan, the following services and supplies are covered under the Health Insurance Program for Children established under this Part:

(1) Dental: Oral examinations, teeth cleaning, and scaling twice during a 12-month period, full mouth X-rays once every 60 months, supplemental bitewing X-rays showing the back of the teeth once during a 12-month period, fluoride applications twice during a 12-month period, sealants, simple extractions, therapeutic pulpotomies, prefabricated stainless steel crowns, and routine fillings of amalgam or other tooth-colored filling material to restore diseased teeth. No benefits are to be provided for services under this subsection that are not performed by or upon the direction of a dentist, doctor, or other professional provider approved by the Plan nor for services and materials that do not meet the standards accepted by the American Dental Association.

(2) Vision: Scheduled routine eye examinations once every 12 months, eyeglass lenses or contact lenses once every 12 months, routine replacement of eyeglass frames once every 24 months, and optical supplies and solutions when needed. Optical services, supplies, and solutions must be obtained from licensed or certified ophthalmologists, optometrists, or optical dispensing laboratories. Eyeglass lenses are limited to single vision, bifocal, trifocal, or other complex lenses necessary for a Plan enrollee's visual welfare. Coverage for oversized lenses and frames, designer frames, photosensitive lenses, tinted contact lenses, blended lenses, progressive multifocal lenses, coated lenses, and laminated lenses is limited to the coverage for single vision, bifocal, trifocal, or other complex lenses provided by this subsection. Eyeglass frames are limited to those made of zylonite, metal, or a combination of zylonite and metal. All visual aids covered by this subsection require prior approval of the Plan. Upon prior approval by the Plan, refractions may be covered more often than once every 12 months.

(3) Hearing: Auditory diagnostic testing services and hearing aids and accessories when provided by a licensed or certified audiologist, otolaryngologist, or other hearing aid specialist approved by the Plan. Prior approval of the Plan is required for hearing aids, accessories, earmolds, repairs, loaners, and rental aids.

(c) Annual Enrollment Fee. – There shall be no enrollment fee for Program coverage for enrollees whose family income is at or below one hundred fifty percent (150%) of the federal poverty level. The enrollment fee for Program coverage for enrollees whose family income is above one hundred fifty percent (150%) of the federal poverty level shall be fifty dollars ($50.00) per year per child with a maximum annual enrollment fee of one hundred dollars ($100.00) for two or more children. The enrollment fee shall be collected by the county department of social services and retained to cover the cost of determining eligibility for services under the Program. County departments of social services shall establish procedures for the collection of enrollment fees.

(d) Cost-Sharing. – There shall be no deductibles, copayments, or other cost-sharing charges for families covered under the Program whose family income is at or below one hundred fifty percent (150%) of the federal poverty ~~level.~~ level, except that the fees for outpatient prescription drugs described in subdivision (3) of this subsection shall apply to covered families whose family income is at or below one hundred fifty percent (150%) of the federal poverty level. Families covered under the Program whose family income is above one hundred fifty percent (150%) of the federal poverty level shall be responsible for copayments to providers as follows:

(1) Five dollars ($5.00) per child for each visit to a provider, except that there shall be no copayment required for well-baby, well-child, or age-appropriate immunization services;
(2) Five dollars ($5.00) per child for each outpatient hospital visit;
(3) A ~~six dollar ($6.00) fee for each outpatient prescription drug purchased;~~ one dollar ($1.00) fee for each outpatient generic prescription drug and for each outpatient brand name prescription drug for which there is no generic substitution available. The fee for each outpatient brand name prescription drug for which there is a generic substitution available is ten dollars ($10.00).
(4) Twenty dollars ($20.00) for each emergency room visit unless:
a. The child is admitted to the hospital, or
b. No other reasonable care was available as determined by the Claims Processing Contractor of the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan.

Copayments required under this subsection for prescription drugs apply only to prescription drugs prescribed on an outpatient basis.

(e) Cost-Sharing Limitations. – The total annual aggregate cost-sharing, including fees, with respect to all children in a family receiving Program benefits under this Part shall not exceed five percent (5%) of the family's income for the year involved. To assist the Department in monitoring and ensuring that the limitations of this subsection are not exceeded, the Executive Administrator and Board of Trustees of the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan shall provide data to the Department showing cost-sharing paid by Program enrollees.

(f) Coverage From Private Plans. – The Department shall, from funds available for the Program, pay the cost for dependent coverage provided under a private insurance plan for persons eligible for coverage under the Program if all of the following conditions are met:
(1) The person eligible for Program coverage requests to obtain dependent coverage from a private insurer in lieu of coverage under the Program and shows proof that coverage under the private plan selected meets the requirements of this subsection;
(2) The dependent coverage under the private plan is actuarially equivalent to the coverage provided under the Program and the private plan does not engage in the exclusive enrollment of children with favorable health care risks;
(3) The cost of dependent coverage under the private plan is the same as or less than the cost of coverage under the Program; and
(4) The total annual aggregate cost-sharing, including fees, paid by the enrollee under the private plan for all dependents covered by the plan, do not exceed five percent (5%) of the enrollee's family income for the year involved.

The Department may reimburse an enrollee for private coverage under this subsection upon a showing of proof that the dependent coverage is in effect for the period for which the enrollee is eligible for the Program.

(g) Purchase of Extended Coverage. – An enrollee in the Program who loses eligibility due to an increase in family income above two hundred percent (200%) of the federal poverty level and up to and including two hundred twenty-five percent (225%) of the federal poverty level may purchase at full premium cost continued coverage under the Program for a period not to exceed one year beginning on the date the enrollee becomes ineligible under the income requirements for the Program. The same benefits, copayments, and other conditions of enrollment under the Program shall apply to extended coverage purchased under this subsection.

(h) No State Funds for Voluntary Participation. – No State or federal funds shall be used to cover, subsidize, or otherwise offset the cost of coverage obtained under subsection (g) of this section."

SECTION 10.29.(c) G.S. 108A-70.24 reads as rewritten:

"**§ 108A-70.24. Claims processing; payments.**

(a) The North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan shall be responsible for the administration and processing of claims for benefits under the Program, as provided under Part 5 of Article 3 of Chapter 135 of the General ~~Statutes.~~Statutes, except when the Secretary determines that administration and claims processing should be done by the Department as authorized in G.S. 108A-70.20.

(b) The Department shall, from State and federal appropriations, and from any other funds made available for this purpose, make premium payments to the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan as determined by the Plan for its administration, claims processing, and other services authorized to provide coverage for acute medical care to children eligible for benefits under this Part.

(c) The North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan shall also be responsible for the administration and processing of claims for benefits provided under G.S. 108A-70.23 and not covered by Part 5 of Article 3 of Chapter 135 of the General Statutes. Such claims payments shall be made against accounts maintained by the Department."

SECTION 10.29.(d) The total amount of State funds expended for the Health Insurance Program for Children (NC Health Choice) in the 2003-2004 fiscal year and the 2004-2005 fiscal year shall not exceed the amount of State funds appropriated to match federal funds for the Program for the 2003-2004 fiscal year and the 2004-2005 fiscal year. The Department shall manage Program enrollment in a way that maximizes the number of children served within existing funds.

SUBPART 4. DIVISION OF PUBLIC HEALTH

Requested by: Representatives Barnhart, Nye.

IMMUNIZATION PROGRAM FUNDING

SECTION 10.30.(a) Of the funds appropriated in this act to the Department of Health and Human Services for childhood immunization programs for positions, operating support, equipment, and pharmaceuticals, the sum of one million dollars ($1,000,000) for the 2003-2004 fiscal year and the sum of one million dollars ($1,000,000) for the 2004-2005 fiscal year may be used for projects and activities that are also designed to increase childhood immunization rates in North Carolina. These projects and activities shall include the following:

(1) Outreach efforts at the State and local levels to improve service delivery of vaccines. Outreach efforts may include educational seminars, media advertising, support services to parents to enable children to be transported to clinics, longer operating hours for clinics, and mobile vaccine units.

(2) Continued development of an automated immunization registry.

SECTION 10.30.(b) Funds authorized to be used for immunization efforts under subsection (a) of this section shall not be used to fund additional State positions in the Department of Health and Human Services or contracts, except for contracts to develop an automated immunization registry or with local health departments for outreach.

Requested by: Representatives Barnhart, Nye

AIDS DRUG ASSISTANCE PROGRAM (ADAP)

SECTION 10.31.(a) For the 2003-2004 fiscal year and for the 2004-2005 fiscal year, HIV-positive individuals with incomes at or below one hundred twenty-five

percent (125%) of the federal poverty level are eligible for participation in ADAP. Eligibility for participation in ADAP during the 2003-2005 fiscal biennium shall not be extended to individuals with incomes above one hundred twenty-five percent (125%) of the federal poverty level.

SECTION 10.31.(b) The Department of Health and Human Services shall make an interim report on ADAP program utilization by January 1, 2004, and a final report on ADAP program utilization by May 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on ADAP. The reports shall include the following:

(1) ADAP program utilization:
   a. Monthly data on total cumulative AIDS/HIV cases reported in North Carolina.
   b. Monthly data on the number of individuals who have applied to participate in ADAP that have been determined to be ineligible.
   c. Monthly data on the income level of participants in ADAP and of individuals who have applied to participate in ADAP who have been determined to be ineligible.
   d. Monthly data on fiscal year-to-date expenditures of ADAP. The interim report shall contain monthly data on the calendar year-to-date expenditures of ADAP.
   e. An update on the status of the information management system.
   f. Monthly data on ADAP usage patterns and demographics of participants in ADAP.
   g. Fiscal year-to-date budget information.

Requested by: Representatives Barnhart, Nye

NEWBORN HEARING SCREENING PROGRAM REPORT

SECTION 10.32. The Department of Health and Human Services shall report the following information on the newborn hearing screening program:

(1) Unduplicated number of infants screened.
(2) Number of infants who failed the second hearing screening.
(3) Number of infants receiving the diagnostic evaluation.
(4) Number and types of services provided.
(5) Number and types of follow-up services provided to children.

The Department shall submit the report not later than May 1, 2004, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Representatives Barnhart, Nye

EMPLOYEES EXAMINED FOR ASBESTOSIS OR SILICOSIS UNDER WORKERS COMPENSATION STATUTE.

SECTION 10.33.(a) G.S. 97-61.1 reads as rewritten:

§ 97-61.1. First examination of and report on employee having asbestosis or silicosis.

When an employee and the Industrial Commission are advised ~~by the Department of Health and Human Services~~ that an employee has asbestosis or silicosis, the employer shall be notified by the Industrial Commission, and the employee, when ordered by the Industrial Commission, shall go to a place designated by the Industrial Commission and submit to X rays and a physical examination by the advisory medical committee, at least one of whom shall conduct the examination, and the member or members of the advisory medical committee conducting the examination shall forward the X rays and findings to the member or members of the committee not present for the physical examination. The employer shall pay the expenses connected with the examination in

such amounts as shall be directed by the Industrial Commission. Within 30 days after the completion of the examination, the advisory medical committee shall make a written report signed by all of its members setting forth:

(1) The X rays and clinical procedures used by the committee in arriving at its findings.
(2) Whether or not the claimant has contracted asbestosis or silicosis.
(3) The committee's opinion expressed in percentages of the impairment of the employee's ability to perform normal labor in the same or any other employment.
(4) Any other matter deemed pertinent by the committee.

When a competent physician certifies to the Industrial Commission that the employee's physical condition is such that his movement to the place of examination ordered by the Industrial Commission as herein provided in G.S. 97-61.1, 97-61.3 and 97-61.4 would be harmful or injurious to the health of the employee, the Industrial Commission shall cause the examination of the employee to be made by the advisory medical committee as herein provided at some place in the vicinity of the residence of the employee suitable for the purposes of making such examination."

SECTION 10.33.(b) G.S. 97-72(b) reads as rewritten:

"(b) The members of the advisory medical committee shall be paid one hundred dollars ($100.00) per month plus not more than forty dollars ($40.00) per film examined. The fee per film shall be established by the ~~Secretary of Health and Human Services,~~ Commissioner of Labor, as guided by the current Medicaid/Medicare reimbursement schedules for North Carolina."

SECTION 10.33.(c) G.S. 97-73(b) reads as rewritten:

"(b) The ~~Secretary of Health and Human Services~~ Commissioner of Labor shall establish a schedule of fees for examinations conducted by the Department of Health and Human Services pursuant to G.S. 97-60. The fees shall be collected in accordance with rules adopted by the ~~Secretary of Health and Human Services.~~Commissioner of Labor."

SUBPART 5. DIVISION OF CHILD DEVELOPMENT

Requested by: Representatives Barnhart, Nye

CHILD CARE FUNDS MATCHING REQUIREMENT

SECTION 10.34. No local matching funds may be required by the Department of Health and Human Services as a condition of any locality's receiving any State child care funds appropriated by this act unless federal law requires a match. This shall not prohibit any locality from spending local funds for child care services.

Requested by: Representatives Barnhart, Nye

CHILD CARE SUBSIDY RATES

SECTION 10.35.(a) The maximum gross annual income for initial eligibility, adjusted biennially, for subsidized child care services shall be two hundred percent (200%) at the federal poverty level, adjusted for family size.

SECTION 10.35.(b) Fees for families who are required to share in the cost of care shall be established based on a percent of gross family income and adjusted for family size. Effective October 1, 2003, fees shall be determined as follows:

FAMILY SIZE	PERCENT OF GROSS FAMILY INCOME
1-3	10%
4-5	9%
6 or more	8%.

SECTION 10.35.(c) Payments for the purchase of child care services for low-income children shall be in accordance with the following requirements:

(1) Religious-sponsored child care facilities operating pursuant to G.S. 110-106 and licensed child care centers and homes that meet the

minimum licensing standards that are participating in the subsidized child care program shall be paid the one-star county market rate or the rate they charge privately paying parents, whichever is lower.

(2) Licensed child care centers and homes with two or more stars shall receive the market rate for that rated license level for that age group or the rate they charge privately paying parents, whichever is lower.

(3) Nonlicensed homes shall receive fifty percent (50%) of the county market rate or the rate they charge privately paying parents, whichever is lower.

(4) Maximum payment rates shall also be calculated periodically by the Division of Child Development for transportation to and from child care provided by the child care provider, individual transporter, or transportation agency, and for fees charged by providers to parents. These payment rates shall be based upon information collected by market rate surveys.

SECTION 10.35.(d) Provision of 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 are as follows:

(1) Payment rates shall be set at the statewide or regional market rate for licensed child care centers and homes.

(2) If it can be demonstrated that the application of the statewide or regional market rate to a county with fewer than 50 children in each age group is lower than the county market rate and would inhibit the ability of the county to purchase child care for low-income children, then the county market rate may be applied.

SECTION 10.35.(e) A market rate shall be calculated for child care centers and homes at each rated license level for each county and for each age group or age category of enrollees and shall be representative of fees charged to unsubsidized privately paying parents for each age group of enrollees within the county. The Division of Child Development shall also calculate a statewide rate and regional market rates for each rated license level for each age category.

SECTION 10.35.(f) Facilities licensed pursuant to Article 7 of Chapter 110 of the General Statutes and facilities operated pursuant to G.S. 110-106 may participate in the program that provides for the purchase of care in child care facilities for minor children of needy families. No separate licensing requirements shall be used to select facilities to participate. In addition, child care facilities shall be required to meet any additional applicable requirements of federal law or regulations. Child care arrangements exempt from State regulation pursuant to Article 7 of Chapter 110 of the General Statutes shall meet the requirements established by other State law and by the Social Services Commission.

County departments of social services or other local contracting agencies shall not use a provider's failure to comply with requirements in addition to those specified in this subsection as a condition for reducing the provider's subsidized child care rate.

SECTION 10.35.(g) Payment for subsidized child care services provided with Work First Block Grant funds shall comply with all regulations and policies issued by the Division of Child Development for the subsidized child care program.

SECTION 10.35.(h) Noncitizen families who reside in this State legally shall be eligible for child care subsidies if all other conditions of eligibility are met. If all other conditions of eligibility are met, noncitizen families who reside in this State illegally shall be eligible for child care subsidies only if at least one of the following conditions is met:

(1) The child for whom a child care subsidy is sought is receiving child protective services or foster care services.

(2) The child for whom a child care subsidy is sought is developmentally delayed or at risk of being developmentally delayed.
(3) The child for whom a child care subsidy is sought is a citizen of the United States.

Requested by: Representatives Barnhart, Nye

CHILD CARE ALLOCATION FORMULA

SECTION 10.36.(a) The Department of Health and Human Services shall allocate child care subsidy voucher funds to pay the costs of necessary child care for minor children of needy families. The mandatory thirty percent (30%) Smart Start subsidy allocation under G.S. 143B-168.15(g) shall constitute the base amount for each county's child care subsidy allocation. The Department of Health and Human Services shall use the following method when allocating federal and State child care funds, not including the aggregate mandatory thirty percent (30%) Smart Start subsidy allocation:

(1) Funds shall be allocated based upon the projected cost of serving children in a county under age 11 in families with all parents working who earn less than two hundred percent (200%) below the federal poverty level.
(2) No county's allocation shall be less than ninety percent (90%) of its State Fiscal Year 2001-2002 initial child care subsidy allocation.

SECTION 10.36.(b) The Department of Health and Human Services may reallocate unused child care subsidy voucher funds in order to meet the child care needs of low-income families. Any reallocation of funds shall be based upon the expenditures of all child care subsidy voucher funding, including Smart Start funds, within a county.

Requested by: Representatives Barnhart, Nye

CHILD CARE REVOLVING LOAN

SECTION 10.37. Notwithstanding any law to the contrary, funds budgeted for the Child Care Revolving Loan Fund may be transferred to and invested by the financial institution contracted to operate the Fund. The principal and any income to the Fund may be used to make loans, reduce loan interest to borrowers, serve as collateral for borrowers, pay the contractor's cost of operating the Fund, or pay the Department's cost of administering the program.

Requested by: Representatives Barnhart, Nye

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES ENHANCEMENTS

SECTION 10.38.(a) Administrative costs shall be equivalent to, on an average statewide basis for all local partnerships, not more than seven percent (7%) of the total statewide allocation to all local partnerships. For purposes of this subsection, administrative costs shall include costs associated with partnership oversight, business and financial management, general accounting, human resources, budgeting, purchasing, contracting, and information systems management.

SECTION 10.38.(b) The North Carolina Partnership for Children, Inc., and all local partnerships shall use competitive bidding practices in contracting for goods and services on contract amounts as follows:

(1) For amounts of five thousand dollars ($5,000) or less, the procedures specified by a written policy to be developed by the Board of Directors of the North Carolina Partnership for Children, Inc.
(2) For amounts greater than five thousand dollars ($5,000), but less than fifteen thousand dollars ($15,000), three written quotes.
(3) For amounts of fifteen thousand dollars ($15,000) or more, but less than forty thousand dollars ($40,000), a request for proposal process.
(4) For amounts of forty thousand dollars ($40,000) or more, request for proposal process and advertising in a major newspaper.

SECTION 10.38.(c) The North Carolina Partnership for Children, Inc., and all local partnerships shall, in the aggregate, be required to match no less than fifty percent (50%) of the total amount budgeted for the program in each fiscal year of the biennium as follows: contributions of cash equal to at least fifteen percent (15%) and in-kind donated resources equal to no more than five percent (5%) for a total match requirement of twenty percent (20%) for each fiscal year. The North Carolina Partnership for Children, Inc., may carry forward any amount in excess of the required match for a fiscal year in order to meet the match requirement of the succeeding fiscal year. Only in-kind contributions that are quantifiable shall be applied to the in-kind match requirement. Volunteer services may be treated as an in-kind contribution for the purpose of the match requirement of this subsection. Volunteer services that qualify as professional services shall be valued at the fair market value of those services. All other volunteer service hours shall be valued at the statewide average wage rate as calculated from data 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. Expenses, including both those paid by cash and in-kind contributions, incurred by other participating non-State entities contracting with the North Carolina Partnership for Children, Inc., or the local partnerships, also may be considered resources available to meet the required private match. In order to qualify to meet the required private match, the expenses shall:

(1) Be verifiable from the contractor's records.
(2) If in-kind, other than volunteer services, be quantifiable in accordance with generally accepted accounting principles for nonprofit organizations.
(3) Not include expenses funded by State funds.
(4) Be supplemental to and not supplant preexisting resources for related program activities.
(5) Be incurred as a direct result of the Early Childhood Initiatives Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives.
(6) Be otherwise allowable under federal or State law.
(7) Be required and described in the contractual agreements approved by the North Carolina Partnership for Children, Inc., or the local partnership.
(8) Be reported to the North Carolina Partnership for Children, Inc., or the local partnership by the contractor in the same manner as reimbursable expenses.

Failure to obtain a twenty percent (20%) match by June 30 of each fiscal year shall result in a dollar-for-dollar reduction in the appropriation for the Program for a subsequent fiscal year. The North Carolina Partnership for Children, Inc., shall be responsible for compiling information on the private cash and in-kind contributions into a report that is submitted to the Joint Legislative Commission on Governmental Operations in a format that allows verification by the Department of Revenue. The same match requirements shall apply to any expansion funds appropriated by the General Assembly.

SECTION 10.38.(d) The Department of Health and Human Services shall continue to implement the performance-based evaluation system.

SECTION 10.38.(e) The Department of Health and Human Services and the North Carolina Partnership for Children, Inc., shall ensure that the allocation of funds for Early Childhood Education and Development Initiatives for State fiscal years 2003-2004 and 2004-2005 shall be administered and distributed in the following manner:

(1) The North Carolina Partnership for Children, Inc., shall develop a policy to allocate the reduction of funds for Early Childhood

Education and Development Initiatives for the 2003-2004 and 2004-2005 fiscal years.

(2) Capital expenditures and playground equipment expenditures are prohibited for fiscal years 2003-2004 and 2004-2005. For the purposes of this section, "capital expenditures" means expenditures for capital improvements as defined in G.S. 143-34.40.

(3) Expenditures of State funds for advertising and promotional activities are prohibited for fiscal years 2003-2004 and 2004-2005.

SECTION 10.38.(f) For the 2003-2004 and 2004-2005 fiscal years, the North Carolina Partnership for Children, Inc., shall not approve local partnership plans that allocate State funds to child care providers for one-time quality improvement initiatives in the following circumstances:

(1) Child care facilities with licensure of four or five stars, unless the expenditure of funds is to expand capacity for low-income children.

(2) Child care facilities that do not accept child care subsidy funds.

SECTION 10.38.(g) The North Carolina Partnership for Children, Inc., shall not reduce the level of expenditures for subsidies below the State fiscal year 2002-2003 level.

SECTION 10.38.(h) The eligibility for child care subsidies shall be in accordance with child care eligibility established in this act, effective January 1, 2004.

SECTION 10.38.(i) The North Carolina Partnership for Children, Inc., shall develop a plan to focus on quality initiatives and child care subsidies and phase out health services, family support, and program support activities.

SECTION 10.38.(j) The North Carolina Partnership for Children, Inc., shall impose a ten percent (10%) penalty against a local partnership's allocation when the local partnership's audit is classified as a "needs improvement performance assessment".

SECTION 10.38.(k) The North Carolina Partnership for Children, Inc., shall report on activities and directives of this act by March 1, 2004, 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.

Requested by: Representative Barnhart, Nye

EARLY CHILDHOOD EDUCATION AND DEVELOPMENT INITIATIVES EVALUATION

SECTION 10.39. The Department of Health and Human Services, Division of Child Development, may evaluate the Early Childhood Education and Development Initiatives. The evaluation may include:

(1) Evaluation of the Early Childhood Education and Development Initiatives, including the ongoing review of quality child care efforts and child care providers' progress in preparing children to be ready to enter school and succeed.

(2) Continuation of technical assistance to local partnerships in data collection and evaluation.

Requested by: Representatives Barnhart, Nye

MORE AT FOUR PROGRAM

SECTION 10.40.(a) Of the funds appropriated to the Department of Health and Human Services the sum of forty-three million fifty-six thousand five hundred dollars ($43,056,500) in the 2003-2004 fiscal year and the sum of forty-one million eight hundred fifty-six thousand five hundred dollars ($41,856,500) in the 2004-2005 fiscal year shall be used to implement "More At Four", a voluntary prekindergarten program for at-risk four-year-olds.

SECTION 10.40.(b) The Department of Health and Human Services and the Department of Public Instruction, with guidance from the Task Force, shall continue the

implementation of the "More At Four" prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The program is available statewide to all counties that choose to participate, including underserved areas. The goal of the program is to provide quality prekindergarten services to a greater number of at-risk children in order to enhance kindergarten readiness for these children. The program shall be consistent with standards and assessments established jointly by the Department of Health and Human Services, the Department of Public Instruction, and the Task Force and may consider the "More At Four" Pre-K Task Force recommendations. The program shall include:

(1) A process and system for identifying children at risk of academic failure.

(2) A process and system for identifying children who are not being served first priority in formal early education programs, such as child care, public or private preschools, Head Start, Early Head Start, early intervention programs, or other such programs, who demonstrate educational needs, and who are eligible to enter kindergarten the next school year, as well as children who are underserved.

(3) A curriculum or several curricula that are recommended by the Task Force. The Task Force will identify and approve appropriate research-based curricula. These curricula shall: (i) focus primarily on oral language and emergent literacy; (ii) engage children through key experiences and provide background knowledge requisite for formal learning and successful reading in the early elementary years; (iii) involve active learning; (iv) promote measurable kindergarten language-readiness skills that focus on emergent literacy and mathematical skills; and (v) develop skills that will prepare children emotionally and socially for kindergarten.

(4) An emphasis on ongoing family involvement with the prekindergarten program.

(5) Evaluation of child progress through pre- and post-assessment of children in the statewide evaluation, as well as ongoing assessment of the children by teachers.

(6) Guidelines for a system to reimburse local school boards and systems, private child care providers, and other entities willing to establish and provide prekindergarten programs to serve at-risk children.

(7) A system built upon existing local school boards and systems, private child care providers, and other entities that demonstrate the ability to establish or expand prekindergarten capacity.

(8) A quality-control system. Participating providers shall comply with standards and guidelines as established by the Department of Health and Human Services, the Department of Public Instruction, and the Task Force. The Department may use the child care rating system to assist in determining program participation.

(9) Standards for minimum teacher qualifications. A portion of the classroom sites initially funded shall have at least one teacher who is certified or provisionally certified in birth to kindergarten education.

(10) A local contribution. Programs must demonstrate that they are accessing resources other than "More At Four".

(11) A system of accountability.

(12) Collaboration with State agencies and other organizations. The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall collaborate with State agencies and other organizations such as the North Carolina Partnership for Children, Inc., in the design and implementation of the program.

(13) Consideration of the reallocation of existing funds. In order to maximize current funding and resources, the Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall consider the reallocation of existing funds from State and local programs that provide prekindergarten related care and services.

(14) Recommendations for long-term organizational placement and administration of the program.

SECTION 10.40.(c) During the 2003-2004 fiscal year, the Department of Health and Human Services shall plan for expansion of the "More At Four" program within existing resources to include four and five star rated centers, homes, and schools serving four-year-olds and develop guidelines for these programs. The Department shall analyze guidelines for use of the "More At Four" funds, State subsidy funds, and Smart Start subsidy funds and devise a complementary plan for administration of funds for all four-year-old classrooms. The four and five star centers that choose to become a "More at Four" program shall, at a minimum, receive curricula and access to training and workshops for "More at Four" programs and be considered along with other "More at Four" programs for T.E.A.C.H. funding. The Department shall ensure that no duplication exists among the T.E.A.C.H., W.A.G.E.$., and T.E.A.C.H. Health Insurance programs for individual recipients.

The Department may use nonobligated "More At Four" funds to reduce the waiting list for subsidy, with priority given to four-year-olds attending three star or better centers. If there are funds remaining after the waiting list for four-year-olds has been satisfied, then the waiting list for other children may be addressed with the remaining funds.

SECTION 10.40.(d) The Department of Health and Human Services, the Department of Public Instruction, and the Task Force shall submit a progress report by January 1, 2004, and May 1, 2004, to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Education Oversight Committee, the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division. This final report shall include the following:

(1) The number of children participating in the program.

(2) The number of children participating in the program who have never been served in other early education programs, such as child care, public or private preschool, Head Start, Early Head Start, or early intervention programs.

(3) The expected expenditures for the programs and the source of the local match for each grantee.

(4) The location of program sites and the corresponding number of children participating in the program at each site.

(5) Activities involving Child Find in counties.

(6) A comprehensive cost analysis of the program, including the cost per child served by the program.

(7) The plan for expansion of "More At Four" through existing resources as outlined in this section.

SUBPART 6. OFFICE OF EDUCATIONAL SERVICES

Requested by: Representatives Barnhart, Nye

RESIDENTIAL SCHOOLS REPORTING

SECTION 10.41. The Office of Education Services shall report not later than December 1, 2003, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on the activities of the Eastern North Carolina School for the Deaf at Wilson, the North Carolina School for the Deaf at

Morganton, and the Governor Morehead School for the Blind. The report shall include enrollment numbers at the schools, the budgets, and the academic status of the schools as defined under the ABCs program.

SUBPART 7. DIVISION OF AGING

Requested by: Representatives Barnhart, Nye

SENIOR CENTER OUTREACH

SECTION 10.42.(a) Funds appropriated to the Department of Health and Human Services, Division of Aging, for the 2003-2005 fiscal biennium, shall be used by the Division of Aging to enhance senior center programs as follows:

(1) To expand the outreach capacity of senior centers to reach unserved or underserved areas; or

(2) To provide start-up funds for new senior centers.

All of these funds shall be allocated by October 1 of each fiscal year.

SECTION 10.42.(b) Prior to funds being allocated pursuant to this section for start-up funds for a new senior center, the county commissioners of the county in which the new center will be located shall:

(1) Formally endorse the need for such a center;

(2) Formally agree on the sponsoring agency for the center; and

(3) Make a formal commitment to use local funds to support the ongoing operation of the center.

SECTION 10.42.(c) State funding shall not exceed sixty-five percent (65%) of reimbursable costs.

SUBPART 8. DIVISION OF SOCIAL SERVICES

Requested by: Representatives Barnhart, Nye

ADULT CARE HOME MODEL FOR COMMUNITY-BASED SERVICES

SECTION 10.43.(a) In keeping with the United States Supreme Court Decision in Olmstead vs. L.C. & E.W. and with State policy to provide appropriate services to clients in the least restrictive and most appropriate environment, the Department of Health and Human Services shall develop a model project for delivering community-based mental health, developmental disabilities, and substance abuse housing and services through adult care homes that have excess capacity. The model shall be designed for implementation on a pilot basis and shall address the following:

(1) Services that will be provided by the facility or under contract with the facility, including assistance with daily medication.

(2) Access of clients to mental health, developmental disabilities, and substance abuse services provided in the community, including transportation to services outside of the client's residence in the adult care home facility.

(3) Physical plant additions or changes necessary to provide for independent living of residents.

(4) Methods for assuring quality of services, resident safety, and cost-effectiveness.

(5) Consistency with the Department's Olmstead plan, other policies on community-integration, and disability plans adopted by the State.

SECTION 10.43.(b) The Department shall submit a final report on the development of the model to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on or before March 1, 2004. The report shall address the following:

(1) Proposed time and location for implementation of the pilot.

(2) Proposed number of residents to be placed and services to be provided directly by the facility or under contract with the facility.
(3) Method for evaluating the pilot, including services provided, on a regular basis.
(4) A description of the living environment for each resident and a comparison of how the living environment compares to that of other residents in the adult care home.
(5) Changes to State law necessary to implement the pilot.
(6) Projected cost to the State for pilot and statewide implementation.

Requested by: Representatives Barnhart, Nye

CHILD SUPPORT PROGRAM/ENHANCED STANDARDS

SECTION 10.44.(a) It is the intent of the General Assembly to increase the productivity and enhance the performance of child support enforcement offices statewide.

SECTION 10.44.(b) The Department of Health and Human Services shall develop and implement performance standards for each of the State and county child support enforcement offices across the State. To develop these performance standards, the Department of Health and Human Services shall evaluate other private and public child support models and national standards as well as other successful collections models. These performance standards shall include the following:

(1) Cost per collections.
(2) Consumer satisfaction.
(3) Paternity establishments.
(4) Administrative costs.
(5) Orders established.
(6) Collections on arrearages.
(7) Location of absent parents.
(8) Other related performance measures.

The Department of Health and Human Services shall monitor the performance of each office and shall implement a system of reporting that allows each local office to review its performance as well as the performance of other local offices. The Department of Health and Human Services shall publish an annual performance report that shall include the statewide and local office performance of each child support office.

SECTION 10.44.(c) The Department of Health and Human Services shall report on its progress, in compliance with this section, to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division by May 1, 2005.

Requested by: Representatives Barnhart, Nye

SPECIAL NEEDS ADOPTIONS INCENTIVE FUND

SECTION 10.45. Part 4 of Article 2 of Chapter 108A of the General Statutes is amended by adding a new section to read:

"**§ 108A-50A. Special Needs Adoptions Incentive Fund.**

(a) There is created a Special Needs Adoptions Incentive Fund to provide financial assistance to facilitate the adoption of certain children residing in licensed foster care homes. These funds shall be used to remove financial barriers to the adoption of these children and shall be available to foster care families who adopt children with special needs, as defined by the Social Services Commission. These funds shall be matched by county funds.

(b) This program shall not constitute an entitlement and is subject to the availability of funds.

(c) The Social Services Commission shall adopt rules to implement the provisions of this section."

Requested by: Representatives Barnhart, Nye

FOSTER CARE AND ADOPTION ASSISTANCE PAYMENTS

SECTION 10.46.(a) The maximum rates for State participation in the foster care assistance program are established on a graduated scale as follows:

(1) $415.00 per child per month for children aged birth through 5;
(2) $465.00 per child per month for children aged 6 through 12; and
(3) $515.00 per child per month for children aged 13 through 18.

Of these amounts, fifteen dollars ($15.00) is a special needs allowance for the child.

SECTION 10.46.(b) The maximum rates for State participation in the adoption assistance program are established on a graduated scale as follows:

(1) $415.00 per child per month for children aged birth through 5;
(2) $465.00 per child per month for children aged 6 through 12; and
(3) $515.00 per child per month for children aged 13 through 18.

SECTION 10.46.(c) In addition to providing board payments to foster and adoptive families of HIV-infected children, as prescribed in Section 23.28 of Chapter 324 of the 1995 Session Laws, any additional funds remaining that were appropriated for this purpose shall be used to provide medical training in avoiding HIV transmission in the home.

SECTION 10.46.(d) The maximum rates for the State participation in HIV foster care and adoption assistance are established on a graduated scale as follows:

(1) $800.00 per month per child with indeterminate HIV status;
(2) $1,000 per month per child confirmed HIV-infected, asymptomatic;
(3) $1,200 per month per child confirmed HIV-infected, symptomatic; and
(4) $1,600 per month per child terminally ill with complex care needs.

Requested by: Representatives Barnhart, Nye

SPECIAL CHILDREN ADOPTION FUND

SECTION 10.47.(a) Of the funds appropriated to the Department of Health and Human Services in this act, the sum of one million one hundred thousand dollars ($1,100,000) shall be used to support the Special Children Adoption Fund for each year of the 2003-2005 fiscal biennium. The Division of Social Services, in consultation with the North Carolina Association of County Directors of Social Services and representatives of licensed private adoption agencies, shall develop guidelines for the awarding of funds to licensed public and private adoption agencies upon the adoption of children described in G.S. 108A-50 and in foster care. Payments received from the Special Children Adoption Fund by participating agencies shall be used exclusively to enhance the adoption services. No local match shall be required as a condition for receipt of these funds. In accordance with State rules for allowable costs, the Special Children Adoption Fund may be used for post-adoption services for families whose income exceed two hundred percent (200%) of the federal poverty level.

SECTION 10.47.(b) Of the total funds appropriated for the Special Children Adoption Fund each year, twenty percent (20%) of the total funds available shall be reserved for payment to participating private adoption agencies. If the funds reserved in this subsection for payments to private agencies have not been spent on or before March 31, 2004, the Division of Social Services may reallocate those funds, in accordance with this section, to other participating adoption agencies.

Requested by: Representatives Barnhart, Nye

INTENSIVE FAMILY PRESERVATION SERVICES FUNDING AND PERFORMANCE ENHANCEMENTS

SECTION 10.48.(a) The Department of Health and Human Services shall review the Intensive Family Preservation Services Program (IFPS) to enhance and implement initiatives that focus on increasing the sustainability and effectiveness of the Program.

SECTION 10.48.(b) Notwithstanding the provisions of G.S. 143B-150.6, the Program shall 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. The Program shall be developed and implemented statewide on a regional basis. The revised IFPS shall ensure the application of standardized assessment criteria for determining imminent risk and clear criteria for determining out-of-home placement.

SECTION 10.48.(c) The Department of Health and Human Services shall require that any program or entity that receives State, federal, or other funding for the purpose of Intensive Family Preservation Services shall provide information and data that allows for:

(1) An established follow-up system with a minimum of six months of follow-up services.
(2) Detailed information on the specific interventions applied including utilization indicators and performance measurement.
(3) Cost-benefit data.
(4) Data on long-term benefits associated with Intensive Family Preservation Services. This data shall be obtained by tracking families through the intervention process.
(5) The number of families remaining intact and the associated interventions while in IFPS and 12 months thereafter.
(6) The number and percentage by race of children who received Intensive Family Preservation Services compared to the ratio of their distribution in the general population involved with Child Protective Services.

SECTION 10.48.(d) The Department shall establish performance-based funding protocol and shall only provide funding to those programs and entities providing the required information specified in subsection (c) of this section. The amount of funding shall be based on the individual performance of each program.

SECTION 10.48.(e) The Department of Health and Human Services shall report to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than April 1, 2004. The report shall include information and data collected pursuant to subsection (c) of this section.

Requested by: Representatives Barnhart, Nye

TANF STATE PLAN

SECTION 10.49.(a) The General Assembly approves the plan titled "North Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005", prepared by the Department of Health and Human Services and presented to the General Assembly on May 15, 2003, as revised in accordance with subsection (b) of this section. The North Carolina Temporary Assistance for Needy Families State Plan covers the period October 1, 2003, through September 30, 2005. The Department shall submit the State Plan, as revised in accordance with subsection (b) of this section, to the United States Department of Health and Human Services as amended by this act or any other act of the 2003 General Assembly.

SECTION 10.49.(b) The Department of Health and Human Services shall revise the North Carolina Temporary Assistance for Needy Families State Plan FY 2003-2005, submitted to the General Assembly for approval on May 15, 2003. The revisions shall be made to the following Plan components:

(1) Enhanced Employee Assistance Program to reflect changes in funding.
(2) Services for Families to remove reference to start-up activities.

(3) Work Responsibility to remove reference to start-up activities.
(4) Cabarrus County Waiver to reflect changes in the law made by the 2003 General Assembly.
(5) Goal number eight to provide that caseload reduction goals are subject to economic conditions in the county.

SECTION 10.49.(c) The counties approved as Electing Counties in North Carolina's Temporary Assistance for Needy Families State Plan FY 2003-2005 as approved by this section are: Beaufort, Caldwell, Catawba, Iredell, Lenoir, Lincoln, Macon, McDowell, Sampson, Surry, and Wilkes.

SECTION 10.49.(d) Counties designated as Electing Counties pursuant to G.S. 108A-27(d) and who submitted the letter of intent to be redesignated as a standard county and the accompanying county plan for fiscal years 2003 through 2005, pursuant to G.S. 108A-27(e), shall operate under the standard county budget requirements effective July 1, 2003. Counties that submitted the letter of intent to remain as an electing county or to be redesignated as an electing county and the accompanying county plan for fiscal years 2003 through 2005, pursuant to G.S. 108A-27(e), shall operate under the electing county budget requirements effective July 1, 2003. For programmatic purposes, all counties referred to in this subsection shall remain under their current county designation through September 30, 2003.

Requested by: Representatives Barnhart, Nye

ELECTING COUNTY TANF FUNDS REVERT

SECTION 10.50. G.S. 108A-27.11(c) reads as rewritten:

"(c) Each Electing County's allocation for Work First Family Assistance shall be computed based on the percentage of each Electing County's total expenditures for cash assistance to statewide actual expenditures for cash assistance in 1995-96. The resulting percentage shall be applied to the federal TANF block grant funds appropriated for cash assistance by the General Assembly each fiscal year. The Department shall transmit the federal funds contained in the county block grants to Electing Counties as soon as practicable after they become available to the State and in accordance with federal cash management laws and regulations. ~~The Department shall transmit one-fourth of the State funds contained in county block grants to Electing Counties at the beginning of each quarter.~~"

Requested by: Representatives Barnhart, Nye

SPECIAL ASSISTANCE DEMONSTRATION PROJECT

SECTION 10.51.(a) The Department of Health and Human Services may use funds from the existing State/County Special Assistance for Adults budget to provide Special Assistance payments to eligible individuals in in-home living arrangements. These payments may be made for up to 800 individuals during the 2003-2004 fiscal year and the 2004-2005 fiscal year. These payments may be made for as long as the individuals who are receiving payments on June 30, 2005, remain eligible. The standard monthly payment to individuals enrolled in the Special Assistance demonstration project shall be fifty percent (50%) of the monthly payment the individual would receive if the individual resided in an adult care home and qualified for Special Assistance, except if a lesser payment amount is appropriate for the individual as determined by the local case manager. The Department shall implement Special Assistance in-home eligibility policies and procedures to assure that demonstration project participants are those individuals who need and, but for the demonstration project, would seek placement in an adult care home facility. The Department shall make an interim report to the cochairs of the House of Representatives Appropriations Committee, the cochairs of the House of Representatives Appropriations Subcommittee on Health and Human Services, the cochairs of the Senate Appropriations Committee, and the cochairs of the Senate Appropriations Committee on Health and Human Services by May 1, 2004.

SECTION 10.51.(b) The Department shall report to the cochairs of the House of Representatives Appropriations Committee, the House of Representatives Appropriations Subcommittee on Health and Human Services, the cochairs of the Senate Appropriations Committee, and the cochairs of the Senate Appropriations Committee on Health and Human Services by April 1, 2004. This report shall include the following information:

(1) A description of cost savings that could occur by allowing individuals eligible for State/County Special Assistance the option of remaining in the home.

(2) Which activities of daily living or other need criteria are reliable indicators for identifying individuals with the greatest need for income supplements for in-home living arrangements.

(3) How much case management is needed and which types of individuals are most in need of case management.

(4) The geographic location of individuals receiving payments under this section.

(5) A description of the services purchased with these payments.

(6) A description of the income levels of individuals who receive payments under this section and the impact on the Medicaid program.

(7) Findings and recommendations as to the feasibility of continuing or expanding the demonstration program.

(8) The level and quantity of services (including personal care services) provided to the demonstration project participants compared to the level and quantity of services for residents in adult care homes.

(9) A fiscal analysis and programmatic results of increasing the demonstration project participant's monthly assistance payment to fifty percent (50%) of the Special Assistance monthly payment.

SECTION 10.51.(c) The Department shall incorporate data collection tools designed to compare quality of life among institutionalized vs. noninstitutionalized populations (i.e., an individual's perception of his or her own health and well-being, years of healthy life, and activity limitations). To the extent national standards are available, the Department shall utilize those standards.

Requested by: Representatives Barnhart, Nye

STATE/COUNTY SPECIAL ASSISTANCE

SECTION 10.52.(a) 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. The maximum monthly rate for these residents in adult care home facilities shall be one thousand two hundred thirty-one dollars ($1,231) per month per resident.

SECTION 10.52.(b) The maximum monthly rate for residents in adult care home facilities shall be one thousand ninety-one dollars ($1,091) per month per resident through September 30, 2003.

SECTION 10.52.(c) Effective October 1, 2003, the maximum monthly rate for residents in adult care home facilities shall be one thousand sixty-six dollars ($1,066) per month per resident.

SECTION 10.52.(d) The eligibility of Special Assistance recipients who reside in adult care homes on September 30, 2003, and remain continuously eligible shall not be affected by an income reduction in the Special Assistance eligibility criteria, providing these recipients are otherwise eligible. The maximum monthly rate for these residents in adult care home facilities shall be one thousand ninety-one dollars ($1,091) per month per resident.

SECTION 10.52.(e) The sum of three million one hundred eighty-nine thousand six hundred seventy-five dollars ($3,189,675) for the 2003-2004 fiscal year

and the sum of four million four hundred thirty-one thousand eight hundred forty-six dollars ($4,431,846) for the 2004-2005 fiscal year appropriated to the Department of Health and Human Services shall be transferred from the Division of Social Services to the Division of Medical Assistance and used as State match to draw down federal matching funds to help pay for Medicaid's personal care services for adult care homes (ACH-PCS) rather than the State/County Special Assistance Program.

Requested by: Representatives Barnhart, Nye

STATE/COUNTY SPECIAL ASSISTANCE TRANSFER OF ASSETS

SECTION 10.53.(a) Notwithstanding any other provision of law to the contrary, Supplemental Security Income (SSI) policy applicable to transfer of assets and estate recovery, as prescribed by federal law, shall apply to applicants for State/County Special Assistance.

SECTION 10.53.(b) The Department of Health and Human Services shall continue to review whether policy for State/County Special Assistance should be changed to permit an assisted living facility to accept from a family member of a resident who qualifies for State/County Special Assistance payment for the difference in the monthly rate for room, board, and services available. In reviewing current policy, the Department shall consider the following conditions on family contributions to the resident's cost of care:

(1) Ensuring that the resident meets all income and resource eligibility requirements for State/County Special Assistance.

(2) Not counting payments made by family members to the facility as income to the resident or as an in-kind contribution when calculating the monthly rate applicable to the resident.

(3) Ensuring that supplemental payments are made on a voluntary basis as specified in the resident agreement.

Not later than March 1, 2004, the Department shall report on its activities under this subsection to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division.

Requested by: Representatives Nye, Barnhart

LIMITATION ON STATE ABORTION FUNDING

SECTION 10.54.(a) No State funds shall be used for the performance of abortions. However, the Department of Health and Human Services may expend funds to the extent necessary to comply with federal law and regulations governing Medicaid.

Requested by: Representatives Barnhart, Nye

FUNDS FOR FOOD BANKS

SECTION 10.55.(a) Of the funds appropriated to the Department of Health and Human Services in this act, the sum of one million dollars ($1,000,000) for the 2003-2004 fiscal year shall be allocated equally among the six Second Harvest North Carolina food banks.

SECTION 10.55.(b) Each organization shall report to the Department of Health and Human Services and the Fiscal Research Division on the activities performed and the impact on local communities directly associated with the funds allocated in subsection (a) of this section by April 1, 2004. Each organization shall provide to the Department of Health and Human Services and the Fiscal Research Division a copy of its annual audited financial statement within 30 days of issuance of the statement.

PART XI. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Requested by: Representatives Fox, West

GRASS ROOTS SCIENCE PROGRAM

SECTION 11.1. Of the funds appropriated in this act to the Department of Environment and Natural Resources for the Grassroots Science Program, the sum of two million six hundred five thousand six hundred thirty-seven dollars ($2,605,637) for fiscal year 2003-2004 and the sum of two million six hundred five thousand six hundred thirty-seven dollars ($2,605,637) for fiscal year 2004-2005 are allocated as grants-in-aid for each fiscal year as follows:

	2003-2004	2004-2005
Aurora Fossil Museum	$56,704	$56,704
Cape Fear Museum	$185,762	$185,762
Catawba Science Center	$135,096	$135,096
Colburn Gem and Mineral Museum, Inc.	$66,894	$66,894
Discovery Place	$625,643	$625,643
Granville County Museum Commission, Inc. - Harris Gallery	$55,897	$55,897
The Health Adventure Museum of Pack Place Education, Arts and Science Center, Inc.	$121,268	$121,268
Imagination Station	$85,384	$85,384
Iredell County Children's Museum	$56,631	$56,631
Museum of Coastal Carolina	$69,352	$69,352
Natural Science Center of Greensboro	$183,703	$183,703
North Carolina Museum of Life and Science	$389,011	$389,011
Rocky Mount Children's Museum	$72,859	$72,859
Schiele Museum of Natural History	$234,921	$234,921
Sci Works Science Center and Environmental Park of Forsyth County	$147,788	$147,788
Western North Carolina Nature Center	$118,726	$118,726
Total	$2,605,637	$2,605,637

Requested by: Representatives Fox, West

STATEWIDE BEAVER DAMAGE CONTROL PROGRAM FUND

SECTION 11.2. Of the funds appropriated to the Wildlife Resources Fund in this act, the sum of four hundred forty-nine thousand dollars ($449,000) for the 2003-2004 fiscal year and the sum of four hundred forty-nine thousand dollars ($449,000) for the 2004-2005 fiscal year shall be used to provide the State share necessary to support the beaver damage control program established in G.S. 113-291.10, provided the sum of at least twenty-five thousand dollars ($25,000) in federal funds is available each fiscal year of the biennium to provide the federal share.

Requested by: Representatives Fox, West

FUNDS FOR CLEANUP OF WARREN COUNTY PCB LANDFILL

SECTION 11.3.(a) Notwithstanding the provisions of G.S. 143-215.3A, the Department of Environment and Natural Resources may use up to five hundred thousand dollars ($500,000) for the 2003-2004 fiscal year from the fees collected for water quality permits under G.S. 143-215.3D and credited to the Water Permits Fund if both of the following conditions are satisfied:

(1) The detoxification and remediation of the landfill located in Warren County cannot be completed without these additional funds.

(2) All other funds, including all contingency funds, available to the Department for the detoxification and remediation of the landfill

located in Warren County that contains polychlorinated biphenyl (PCBs) and dioxin/furan contaminated materials have been spent or encumbered.

SECTION 11.3.(b) It is the intent of the General Assembly that the funds authorized under subsection (a) of this section will be sufficient to complete the detoxification and remediation of this landfill, based on representations made to the General Assembly.

Requested by: Representatives Fox, West

COMMERCIAL AND NONCOMMERCIAL UNDERGROUND STORAGE TANK FUNDS

SECTION 11.4.(a) Section 19 of S.L. 1989-652, Section 67 of S.L. 1991-1044, Section 15(a) and Section 15(b) of S.L. 1995-377, and Section 1 of S.L. 2001-454 are repealed, which has the effect of repealing two million six hundred twenty-five thousand dollars ($2,625,000) in appropriations from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources and one million two hundred ninety-five thousand dollars ($1,295,000) in appropriations from the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources.

SECTION 11.4.(b) There is appropriated from the Commercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources the sum of two million six hundred twenty-five thousand dollars ($2,625,000) for the 2003-2004 fiscal year and the sum of two million six hundred twenty-five thousand dollars ($2,625,000) for the 2004-2005 fiscal year to administer the underground storage tank program under Parts 2A and 2B of Article 21A of Chapter 143 of the General Statutes.

SECTION 11.4.(c) It is the intent of the General Assembly that the funds under subsection (b) of this section are recurring funds.

SECTION 11.4.(d) There is appropriated from the Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Fund to the Department of Environment and Natural Resources the sum of one million two hundred ninety-five thousand dollars ($1,295,000) for the 2003-2004 fiscal year and the sum of one million two hundred ninety-five thousand dollars ($1,295,000) for the 2004-2005 fiscal year to administer the underground storage tank program under Parts 2A and 2B of Article 21A of Chapter 143 of the General Statutes.

SECTION 11.4.(e) It is the intent of the General Assembly that the funds under subsection (c) of this section are recurring funds.

SECTION 11.4.(f) The Office of State Budget and Management shall certify the appropriations under subsections (b) and subsection (d) of this section in the budget codes for the Commercial and Noncommercial Leaking Petroleum Underground Storage Tank Cleanup Funds and in the General Fund budget code for the Department of Environment and Natural Resources.

Requested by: Representatives Fox, West

ELIMINATE DENR POSITION

SECTION 11.5.(a) The position of Environmental Regulatory Supervisory II (Position Number 4332-000-0032-700) in the Department of Environment and Natural Resources is eliminated.

SECTION 11.5.(b) This section becomes effective June 30, 2003.

Requested by: Representatives Fox, West, LaRoque

COST SHARE FUNDS FOR LIMITED RESOURCE/NEW FARMERS

SECTION 11.6. G.S. 143-215.74(b) reads as rewritten:

"(b) The program shall be subject to the following requirements and limitations:

(1) The purpose of the program shall be to reduce the input of agricultural nonpoint source pollution into the water courses of the State.

(2) The program shall initially include the present 16 nutrient sensitive watershed counties and 17 additional counties.

(3) Subject to subdivision (7) of this subsection, priority designations for inclusions in the program shall be under the authority of the Soil and Water Conservation Commission. The Soil and Water Conservation Commission shall retain the authority to allocate the cost share funds.

(4) Areas shall be included in the program as the funds are appropriated and the technical assistance becomes available from the local Soil and Water Conservation District.

(5) Funding may be provided to assist practices including conservation tillage, diversions, filter strips, field borders, critical area plantings, sedimentation control structures, sod-based rotations, grassed waterways, strip-cropping, terraces, cropland conversion to permanent vegetation, grade control structures, water control structures, closure of lagoons, emergency spillways, riparian buffers or equivalent controls, odor control best management practices, insect control best management practices, and animal waste management systems and application. Funding for animal waste management shall be allocated for practices in river basins such that the funds will have the greatest impact in improving water quality.

(6) Except as provided in subdivision (8) and subdivision (9) of this subsection, State funding shall be limited to seventy-five percent (75%) of the average cost for each practice with the assisted farmer providing twenty-five percent (25%) of the cost, which may include in-kind support of the practice, with a maximum of seventy-five thousand dollars ($75,000) per year to each applicant.

(7) Priority designation for inclusion in the program for State funding shall be given to projects that improve water quality. To be eligible for cost share funds under this subdivision, a project shall be evaluated before funding is awarded and after the project is completed to determine the impact on water quality.

(8) For practices that are eligible for funding from the federal Conservation Reserve Enhancement Program, State funding from the program shall be limited to seventy-five percent (75%) of the average cost of each practice, with the remainder paid from funding from the Conservation Reserve Enhancement Program, other available federal funds, other State funds, or the assisted farmer, whose contribution may include in-kind support of the practice. This subdivision is subject to subdivision (9) of this subsection.

(9) When the applicant is either a limited-resource farmer or a beginning farmer, State funding shall be limited to ninety percent (90%) of the average cost for each practice with the assisted farmer providing ten percent (10%) of the cost, which may include in-kind support of the practice, with a maximum of one hundred thousand dollars ($100,000) per year to each applicant. The following definitions apply in this subdivision:

a. Beginning farmer. – A farmer who has not operated a farm or who has operated a farm for not more than 10 years and who will materially and substantially participate in the operation of the farm.

b. Limited-resource farmer. – A farmer with direct and indirect gross farm sales that do not exceed one hundred thousand dollars ($100,000).

c. Materially and substantially participate. –
1. In the case of an individual, for the individual, including members of the immediate family of the individual, to provide substantial day-to-day labor and management of the farm, consistent with the practices in the county in which the farm is located.
2. In the case of an entity, for all members of the entity, to participate in the operation of the farm, with some members providing management and some members providing labor and management necessary for day-to-day activities such that if the members did not provide the management and labor, the operation of the farm would be seriously impaired."

Requested by: Representatives Fox, West

CLEAN WATER MANAGEMENT TRUST FUND/NO ACQUISITION OF REAL ESTATE INTERESTS IN CERTAIN COUNTIES.

SECTION 11.7. G.S. 113-145.3 reads as rewritten:

"**§ 113-145.3. Clean Water Management Trust Fund: established.**

(a) Fund Established. – There is established a Clean Water Management Trust Fund in the State Treasurer's Office that shall be used to finance projects to clean up or prevent surface water pollution in accordance with this Article.

(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. Investment earnings credited to the assets of the Fund shall become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year shall be carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the Chair of the Board of Trustees.

(c) Fund Purposes. – ~~Moneys~~ Except as provided in subsection (c1) of this section, moneys from the Fund may be used for any of the following purposes:

(1) To acquire land for riparian buffers for the purposes of providing environmental protection for surface waters and urban drinking water supplies and establishing a network of riparian greenways for environmental, educational, and recreational uses.

(2) To acquire conservation easements or other interests in real property for the purpose of protecting and conserving surface waters and urban drinking water supplies.

(3) To coordinate with other public programs involved with lands adjoining water bodies to gain the most public benefit while protecting and improving water quality.

(4) To restore previously degraded lands to reestablish their ability to protect water quality.

(5) To repair failing waste treatment systems if: (i) an application has first been submitted to receive a loan or grant from the Clean Water Revolving Loan and Grant Fund and the application was denied during the latest review cycle; (ii) the repair is a reasonable remedy for resolving an existing waste treatment problem; and (iii) the repair is not for the purpose of expanding the system to accommodate future anticipated growth of a community. Priority shall be given to economically distressed units of local government.

(6) To repair and eliminate failing septic tank systems, to eliminate illegal drainage connections, and to expand waste treatment systems if the system is being expanded as a remedy to eliminate failing septic tank systems or illegal drainage connections. Priority shall be given to economically distressed units of local government.

(7) To improve stormwater controls and management practices.
(8) To facilitate planning that targets reductions in surface water pollution.
(9) To fund operating expenses of the Board of Trustees and its staff.

(c1) Moneys from the Fund shall not be used to acquire any interest in real property for any purpose in any county in which the sum total of land owned by either the federal or State government exceeds forty percent (40%).

(d) Limit on Operating and Administrative Expenses. – No more than two percent (2%) of the annual balance of the Fund on July 1 or a total sum of one million two hundred fifty thousand dollars ($1,250,000), whichever is greater, may be used each fiscal year for administrative and operating expenses of the Board of Trustees and its staff."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Wright

CLEAN WATER MANAGEMENT TRUST FUND APPROPRIATION

SECTION 11.8. Notwithstanding G.S. 143-15.3B(a) for the 2003-2005 fiscal biennium only, the appropriation to the Clean Water Management Trust Fund for the 2003-2004 fiscal year is only twenty-five million dollars ($25,000,000) as provided by this act and is only twenty five-million dollars ($25,000,000) for the 2004-2005 fiscal year as provided by this act. The funds appropriated by this act to the Clean Water Management Trust Fund shall be used as provided by G.S. 143-15.3B(b).

PART XII. DEPARTMENT OF COMMERCE

Requested by: Representatives Fox, West

WANCHESE SEAFOOD INDUSTRIAL PARK/OREGON INLET FUNDS

SECTION 12.1.(a) Of the funds appropriated in this act to the Department of Commerce for the Wanchese Seafood Industrial Park, the sum of one hundred twenty-seven thousand eight hundred seventy dollars ($127,870) for the 2003-2004 fiscal year and the sum of one hundred twenty-seven thousand eight hundred seventy dollars ($127,870) for the 2004-2005 fiscal year may be expended by the North Carolina Seafood Industrial Park Authority for operations, maintenance, repair, and capital improvements in accordance with Article 23C of Chapter 113 of the General Statutes, in addition to funds available to the Authority for these purposes.

SECTION 12.1.(b) Funds appropriated to the Department of Commerce for the 2002-2003 fiscal year for the Oregon Inlet Project that are unexpended and unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30, 2003, but shall remain available to the Department for legal costs associated with the Project. This subsection becomes effective June 30, 2003.

Requested by: Representatives Fox, West

COUNCIL OF GOVERNMENT FUNDS

SECTION 12.2.(a) Of the funds appropriated in this act to the Department of Commerce, eight hundred thirty-two thousand one hundred fifty dollars ($832,150) for the 2003-2004 fiscal year and eight hundred thirty-two thousand one hundred fifty dollars ($832,150) for the 2004-2005 fiscal year shall only be used as provided by this section. Each regional council of government or lead regional organization is allocated up to forty-eight thousand nine hundred fifty dollars ($48,950) for the 2003-2004 and the 2004-2005 fiscal years.

SECTION 12.2.(b) A regional council of government may use funds appropriated by this section only to assist local governments in grant applications, economic development, community development, support of local industrial development activities, and other activities as deemed appropriate by the member governments.

SECTION 12.2.(c) Funds appropriated by this section shall be paid by electronic transfer in two equal installments, the first no later than September 1, 2003, and the second subsequent to acceptable submission of the annual report due to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division by January 15, 2005, as specified in subdivision (e)(2) of this section.

SECTION 12.2.(d) Funds appropriated by this section shall not be used for payment of dues or assessments by the member governments and shall not supplant funds appropriated by the member governments.

SECTION 12.2.(e) Each council of government or lead regional organization shall do the following:

(1) By January 15, 2004, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2002-2003 program activities, objectives, and accomplishments;
   b. State fiscal year 2002-2003 itemized expenditures and fund sources;
   c. State fiscal year 2003-2004 planned activities, objectives, and accomplishments, including actual results through December 31, 2003; and
   d. State fiscal year 2003-2004 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2003;

(2) By January 15, 2005, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2003-2004 program activities, objectives, and accomplishments;
   b. State fiscal year 2003-2004 itemized expenditures and fund sources;
   c. State fiscal year 2004-2005 planned activities, objectives, and accomplishments, including actual results through December 31, 2004; and
   d. State fiscal year 2004-2005 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2004; and

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

Requested by: Representatives Fox, West

TOURISM PROMOTION FUNDS

SECTION 12.3. Funds appropriated in this act to the Department of Commerce for tourism promotion grants shall be allocated to counties in an effort to direct funds to counties most in need. Determinations of which counties are most in need shall focus on those with the lowest per capita income, highest unemployment, and slowest population growth, in the following manner:

(1) Counties 1 through 20 are each eligible to receive a maximum grant of seven thousand five hundred dollars ($7,500) for each fiscal year, provided these funds are matched on the basis of one non-State dollar for every four State dollars.

(2) Counties 21 through 50 are each eligible to receive a maximum grant of three thousand five hundred dollars ($3,500) for two of the next three fiscal years, provided these funds are matched on the basis of one non-State dollar for every three State dollars.

(3) Counties 51 through 100 are each eligible to receive a maximum grant of three thousand five hundred dollars ($3,500) for alternating fiscal years, beginning with the 1991-1992 fiscal year, provided these funds are matched on the basis of four non-State dollars for every State dollar.

Requested by: Representatives Fox, West

ONE NORTH CAROLINA – INDUSTRIAL RECRUITMENT COMPETITIVE FUND

SECTION 12.4.(a) Funds appropriated to the Department of Commerce for the One North Carolina - Industrial Recruitment Competitive Fund shall be used to continue the Fund. The purpose of the Fund is to provide financial assistance to those businesses or industries deemed by the Governor to be vital to a healthy and growing State economy and that are making significant efforts to establish or expand in North Carolina.

SECTION 12.4.(b) Moneys allocated from the Competitive Fund shall be used for the following purposes:

(1) Installation or purchase of equipment;

(2) Structural repairs, improvements, or renovations of existing buildings to be used for expansion; and

(3) Construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings.

Moneys may also be used for construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment to serve new or proposed industrial buildings used for manufacturing and industrial operations. The Governor shall adopt guidelines and procedures for the commitment of moneys from the Fund.

SECTION 12.4.(c) The Department of Commerce shall report on or before September 30, 2003, and quarterly thereafter, to the Joint Legislative Commission on Governmental Operations and to the Fiscal Research Division on the commitment, allocation, and use of funds allocated from the One North Carolina - Industrial Recruitment Competitive Fund.

SECTION 12.4.(d) Funds appropriated to the Department of Commerce for the 2002-2003 fiscal year for the One North Carolina - Industrial Recruitment Competitive Fund that are unexpended and unencumbered as of June 30, 2003, shall not revert to the General Fund on June 30, 2003, but shall remain available to the Department for providing financial assistance to those businesses and industries deemed by the Governor to be vital to a healthy and growing State economy and that are making significant efforts to establish or expand in North Carolina.

SECTION 12.4.(e) This section becomes effective June 30, 2003.

Requested by: Representatives Fox, West

INDUSTRIAL DEVELOPMENT FUND

SECTION 12.5.(a) The Department of Commerce shall reduce the cash balance of the Industrial Development Fund by one million one hundred sixty-nine thousand four hundred thirty-eight dollars ($1,169,438).

SECTION 12.5.(b) This section becomes effective June 30, 2002.

Requested by: Representatives Fox, West

WORKER TRAINING TRUST FUND

SECTION 12.6.(a) There is appropriated from the Worker Training Trust Fund to the Employment Security Commission of North Carolina the sum of five million dollars ($5,000,000) for the 2003-2004 fiscal year for the operation of local offices.

SECTION 12.6.(b) Notwithstanding the provisions of G.S. 96-5(f), there is appropriated from the Worker Training Trust Fund to the following agencies the following sums for the 2003-2004 fiscal year for the following purposes:

(1) One hundred ninety-three thousand eight hundred seventy-nine dollars ($193,879) for the 2003-2004 fiscal year to the Employment Security Commission for the State Occupational Information Coordinating Committee to develop and operate an interagency system to track former participants in State education and training programs;

(2) Fifty-three thousand eight hundred fifty-six dollars ($53,856) for the 2003-2004 fiscal year to the Employment Security Commission to maintain compliance with Chapter 96 of the General Statutes, 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;

(3) Eight hundred sixty-one thousand six hundred eighty-four dollars ($861,684) for the 2003-2004 fiscal year to the Department of Labor to continue the Apprenticeship Program; and

(4) Two hundred forty thousand dollars ($240,000) for the 2003-2004 fiscal year to the Community Colleges System Office for the operation of the Hosiery Technology Center.

SECTION 12.6.(c) The agencies listed in subsections (a) and (b) of this section shall, by January 15, 2004, and more frequently as requested, for the programs for which funds are appropriated in this section, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

(1) State fiscal year 2003-2004 program activities, objectives, and accomplishments;

(2) State fiscal year 2003-2004 itemized expenditures and fund sources;

(3) State fiscal year 2004-2005 planned activities, objectives, and accomplishments including actual results through December 31, 2003; and

(4) State fiscal year 2004-2005 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2003.

SECTION 12.6.(d) Notwithstanding the provisions of G.S. 96-5(f), funds appropriated for 2002-2003 from the Worker Training Trust Fund to the Community Colleges System Office for both the Focused Industrial Training Program and the Training Initiatives shall not revert, but shall remain available to the System Office for the support of each program in fiscal year 2003-2004.

Requested by: Representatives Fox, West

REGIONAL ECONOMIC DEVELOPMENT COMMISSION ALLOCATIONS

SECTION 12.7.(a) Funds appropriated in this act to the Department of Commerce for regional economic development commissions shall be allocated to the following commissions in accordance with subsection (b) of this section: Western North Carolina Regional Economic Development Commission, Research Triangle Regional Commission, Southeastern North Carolina Regional Economic Development Commission, Piedmont Triad Partnership, Northeastern North Carolina Regional Economic Development Commission, Global TransPark Development Commission, and Carolinas Partnership, Inc.

SECTION 12.7.(b) Funds appropriated pursuant to subsection (a) of this section shall be allocated to each regional economic development commission as follows:

(1) First, the Department shall establish each commission's allocation by determining the sum of allocations to each county that is a member of

that commission. Each county's allocation shall be determined by dividing the county's enterprise factor by the sum of the enterprise factors for eligible counties and multiplying the resulting percentage by the amount of the appropriation. As used in this subdivision, the term "enterprise factor" means a county's enterprise factor as calculated under G.S. 105-129.3; seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and

(2) Next, the Department shall subtract from funds allocated to the Global TransPark Development Zone the sum of one hundred seventy-one thousand nine hundred seventy-nine dollars ($171,979) in each fiscal year, which sum represents the interest earnings in each fiscal year on the estimated balance of seven million five hundred thousand dollars ($7,500,000) appropriated to the Global TransPark Development Zone in Section 6 of Chapter 561 of the 1993 Session Laws; and

(3) Next, the Department shall redistribute the sum of one hundred seventy-one thousand nine hundred seventy-nine dollars ($171,979) in each fiscal year to the seven regional economic development commissions named in subsection (a) of this section. Each commission's share of this redistribution shall be determined according to the enterprise factor formula set out in subdivision (1) of this subsection. This redistribution shall be in addition to each commission's allocation determined under subdivision (1) of this subsection.

Requested by: Representatives Fox, West

REGIONAL ECONOMIC DEVELOPMENT COMMISSION REPORTS

SECTION 12.8.(a) By February 15 of each fiscal year, beginning in 2004, the seven regional economic development commissions shall report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

(1) The preceding fiscal year's program activities, objectives, and accomplishments.

(2) The preceding fiscal year's itemized expenditures and fund sources.

(3) Demonstration of how the commission's regional economic development and marketing strategy aligns with the State's overall economic development and marketing strategies.

(4) To the extent they are involved in promotion activities such as trade shows, visits to prospects and consultants, advertising and media placement, the commissions shall demonstrate how they have generated qualified leads.

SECTION 12.8.(b) Each of the commissions shall provide to the Fiscal Research Division a copy of their annual audited financial statement within 30 days of issuance of the statement.

SECTION 12.8.(c) The reporting requirements for regional economic development commissions, as provided in subsection (a) of this section, shall be reviewed annually by the North Carolina Partnership for Economic Development and recommendations for changes to the reporting requirements shall be made to the Fiscal Research Division, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

SECTION 12.8.(d) Regional economic development commissions shall receive quarterly allocations of the funds appropriated in this act to the Department of Commerce for regional economic development commissions.

SECTION 12.8.(e) Regional economic development commissions shall remain in the Department of Commerce's Budget Code 14601 with other State-aided nonprofit entities.

SECTION 12.8.(f) The Board Structure of the Global TransPark Development Commission shall be studied in accordance with the recommendations found in the UNC Kenan-Flagler study, to determine if the board structure should be reconstituted and made similar to the boards of the Northeastern or Southeastern North Carolina Regional Economic Development Commissions. In conducting the study, the following conditions shall be met:

(1) The Global TransPark Development Commission shall contribute to the cost of the study by retaining a consultant familiar with the partnership.

(2) The Study shall be conducted by a designee of the North Carolina Partnership for Economic Development determined by the Partnership Presidents, a designee of the UNC Kenan-Flager School of Business, and the consultant retained by the Global TransPark Development Commission.

(3) None of the eastern regional commissions shall be consolidated.

(4) The results of the study shall be submitted to the Fiscal Research Division and members of the North Carolina Partnership for Economic Development prior to the beginning of the 2004 Regular Session of the 2003 General Assembly.

Requested by: Representatives Fox, West

NONPROFIT REPORTING REQUIREMENTS

SECTION 12.9.(a) The N.C. Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Community Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., and Partnership for the Sounds, Inc., shall do the following:

(1) By January 15, 2004, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2002-2003 program activities, objectives, and accomplishments;
   b. State fiscal year 2002-2003 itemized expenditures and fund sources;
   c. State fiscal year 2003-2004 planned activities, objectives, and accomplishments including actual results through December 31, 2003; and
   d. State fiscal year 2003-2004 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2003;

(2) By January 15, 2005, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2003-2004 program activities, objectives, and accomplishments;
   b. State fiscal year 2003-2004 itemized expenditures and fund sources;
   c. State fiscal year 2004-2005 planned activities, objectives, and accomplishments including actual results through December 31, 2004; and

d. State fiscal year 2004-2005 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2004; and

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

SECTION 12.9.(b) No funds appropriated under this act shall be released to a nonprofit organization listed in subsection (a) of this section until the organization has satisfied the reporting requirement for January 15, 2003. Fourth quarter allotments shall not be released to any nonprofit organization that does not satisfy the reporting requirements by January 15, 2004, or January 15, 2005.

Requested by: Representatives Fox, West

BIOTECHNOLOGY CENTER

SECTION 12.10.(a) The North Carolina Biotechnology Center shall recapture funds spent in support of successful research and development efforts in the for-profit private sector.

SECTION 12.10.(b) The North Carolina Biotechnology Center shall provide funding for biotechnology, biomedical, and related bioscience applications under its Business and Science Technology Programs.

SECTION 12.10.(c) The North Carolina Biotechnology Center shall:

(1) By January 15, 2004, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2002-2003 program activities, objectives, and accomplishments;
   b. State fiscal year 2002-2003 itemized expenditures and fund sources;
   c. State fiscal year 2003-2004 planned activities, objectives, and accomplishments including actual results through December 31, 2003; and
   d. State fiscal year 2003-2004 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2003;

(2) By January 15, 2005, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
   a. State fiscal year 2003-2004 program activities, objectives, and accomplishments;
   b. State fiscal year 2003-2004 itemized expenditures and fund sources;
   c. State fiscal year 2004-2005 planned activities, objectives, and accomplishments including actual results through December 31, 2004; and
   d. State fiscal year 2004-2005 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2004; and

(3) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

SECTION 12.10.(d) The North Carolina Biotechnology Center shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management and to the Fiscal Research Division in the same manner as State departments and agencies in preparation for biennium budget requests.

Requested by: Representatives Fox, West

RURAL ECONOMIC DEVELOPMENT CENTER

SECTION 12.11.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of one million seven hundred fourteen thousand six hundred seventy-seven dollars ($1,714,677) for the 2003-2004 fiscal year and the sum of one million seven hundred fourteen thousand six hundred seventy-seven dollars ($1,714,677) for the 2004-2005 fiscal year shall be allocated as follows:

	2003-2004 FY	2004-2005 FY
Research and Demonstration Grants	$370,000	$370,000
Technical Assistance and Center Administration of Research and Demonstration Grants	444,399	444,399
Center Administration, Oversight, and Other Programs	437,278	437,278
Administration of Clean Water/ Natural Gas Critical Needs Bond Act of 1998	199,722	199,722
Additional Administration of Supplemental Funding Program	138,278	138,278
Administration of Capacity Building Assistance Program (1998 Bond Act)	125,000	125,000.

SECTION 12.11.(b) The Rural Economic Development Center, Inc., shall provide a report containing detailed budget, personnel, and salary information to the Office of State Budget and Management in the same manner as State departments and agencies in preparation for biennium budget requests.

SECTION 12.11.(c) For purposes of this section, the term "community development corporation" means a nonprofit corporation:

(1) Chartered pursuant to Chapter 55A of the General Statutes;

(2) Tax-exempt pursuant to section 501(c)(3) of the Internal Revenue Code of 1986;

(3) Whose primary mission is to develop and improve low-income communities and neighborhoods through economic and related development;

(4) Whose activities and decisions are initiated, managed, and controlled by the constituents of those local communities; and

(5) Whose primary function is to act as deal maker and packager of projects and activities that will increase their constituencies' opportunities to become owners, managers, and producers of small businesses, affordable housing, and jobs designed to produce positive cash flow and curb blight in the targeted community.

SECTION 12.11.(d) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of two million three hundred fifty-nine thousand five hundred dollars ($2,359,500) for the 2003-2004 fiscal year and the sum of two million three hundred fifty-nine thousand five hundred dollars ($2,359,500) for the 2004-2005 fiscal year shall be allocated as follows:

(1) $991,000 in each fiscal year for community development grants to support development projects and activities within the State's minority communities. Any community development corporation as defined in this section is eligible to apply for funds. The Rural Economic Development Center, Inc., shall establish performance-based criteria for determining which community development corporation will receive a grant and the grant amount. The Rural Economic Development Center, Inc., shall allocate these funds as follows:

a. $800,000 in each fiscal year for direct grants to the local community development corporations that have previously received State funds for this purpose to support operations and project activities;
b. $141,000 in each fiscal year for direct grants to local community development corporations that have not previously received State funds; and
c. $50,000 in each fiscal year to the Rural Economic Development Center, Inc., to be used to cover expenses in administering this section.

(2) $195,000 in each fiscal year to the Microenterprise Loan Program to support the loan fund and operations of the Program; and

(3) $983,000 in each fiscal year shall be used for a program to provide supplemental funding for matching requirements for projects and activities authorized under this subdivision. The Center shall allocate these funds as follows:
a. $775,000 in each fiscal year to make grants to local governments and nonprofit corporations to provide funds necessary to match federal grants or other grants for:
1. Necessary economic development projects and activities in economically distressed areas;
2. Necessary water and sewer projects and activities in economically distressed communities to address health or environmental quality problems except that funds shall not be expended for the repair or replacement of low-pressure pipe wastewater systems. If a grant is awarded under this sub-subdivision, then the grant shall be matched on a dollar-for-dollar basis in the amount of the grant awarded; or
3. Projects that demonstrate alternative water and waste management processes for local governments. Special consideration should be given to cost-effectiveness, efficacy, management efficiency, and the ability of the demonstration project to be replicated.
b. $208,000 in each fiscal year to make grants to local governments and nonprofit corporations to provide funds necessary to match federal grants or other grants related to water, sewer, or business development projects.

(4) $190,500 in each fiscal year for the Agricultural Advancement Consortium. These funds shall be placed in a reserve and allocated as follows:
a. $75,000 in each fiscal year for operating expenses associated with the Consortium; and
b. $115,500 in each fiscal year for research initiatives funded by the Consortium.

The Consortium shall facilitate discussions among interested parties and shall develop recommendations to improve the State's economic development through farming and agricultural interests.

The grant recipients in this subsection shall be selected on the basis of need.

SECTION 12.11.(e) The Rural Economic Development Center, Inc., shall:

(1) By January 15, 2004, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
a. State fiscal year 2002-2003 program activities, objectives, and accomplishments;

b. State fiscal year 2002-2003 itemized expenditures and fund sources;
c. State fiscal year 2003-2004 planned activities, objectives, and accomplishments including actual results through December 31, 2003; and
d. State fiscal year 2003-2004 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2003.

(2) By January 15, 2005, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
a. State fiscal year 2003-2004 program activities, objectives, and accomplishments;
b. State fiscal year 2003-2004 itemized expenditures and fund sources;
c. State fiscal year 2004-2005 planned activities, objectives, and accomplishments including actual results through December 31, 2004; and
d. State fiscal year 2004-2005 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2004.

(3) Provide to the Fiscal Research Division a copy of each grant recipient's annual audited financial statement within 30 days of issuance of the statement.

SECTION 12.11.(f) No funds appropriated under this act shall be released to a community development corporation, as defined in this act, unless the corporation can demonstrate that there are no outstanding or proposed assessments or other collection actions against the corporation for any State or federal taxes, including related penalties, interest, and fees.

Requested by: Representatives Fox, West

OPPORTUNITIES INDUSTRIALIZATION CENTER FUNDS

SECTION 12.12.(a) Of the funds appropriated in this act to the Rural Economic Development Center, Inc., the sum of three hundred fifty-one thousand five hundred dollars ($351,500) for the 2003-2004 fiscal year and the sum of three hundred fifty-one thousand five hundred dollars ($351,500) for the 2004-2005 fiscal year shall be allocated as follows:

(1) $87,875 in each fiscal year to the Opportunities Industrialization Center of Wilson, Inc., for its ongoing job training programs;
(2) $87,875 in each fiscal year to the Opportunities Industrialization Center, Inc., in Rocky Mount, for its ongoing job training programs;
(3) $87,875 in each fiscal year to the Opportunities Industrialization Centers Kinston and Lenoir County, North Carolina, Inc.; and
(4) $87,875 in each fiscal year to the Opportunities Industrialization Center of Elizabeth City, Inc.

SECTION 12.12.(b) For each of the Opportunities Industrialization Centers receiving funds pursuant to subsection (a) of this section, the Rural Economic Development Center, Inc., shall:

(1) By January 15, 2004, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
a. State fiscal year 2002-2003 program activities, objectives, and accomplishments;
b. State fiscal year 2002-2003 itemized expenditures and fund sources;

c. State fiscal year 2003-2004 planned activities, objectives, and accomplishments, including actual results through December 31, 2003; and
d. State fiscal year 2003-2004 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2003.

(2) By January 15, 2005, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:
a. State fiscal year 2003-2004 program activities, objectives, and accomplishments;
b. State fiscal year 2003-2004 itemized expenditures and fund sources;
c. State fiscal year 2004-2005 planned activities, objectives, and accomplishments, including actual results through December 31, 2004; and
d. State fiscal year 2004-2005 estimated itemized expenditures and fund sources, including actual expenditures and fund sources through December 31, 2004.

(3) Notwithstanding G.S. 143-6.1(d), file annually with the State Auditor a financial statement in the form and on the schedule prescribed by the State Auditor. The financial statements must be audited in accordance with standards prescribed by the State Auditor to assure that State funds are used for the purposes provided by law.

(4) Provide to the Fiscal Research Division a copy of the annual audited financial statement required in subdivision (3) of this subsection within 30 days of issuance of the statement.

SECTION 12.12.(c) No funds appropriated under this act shall be released to an Opportunities Industrialization Center (hereinafter Center) listed in subsection (a) of this section unless the Center can demonstrate that there are no outstanding or proposed assessments or other collection actions against the Center for any State or federal taxes, including related penalties, interest, and fees.

PART XIII. JUDICIAL DEPARTMENT

Requested by: Representatives Kiser, Haire

OPERATIONAL SAVINGS/FUNDING RESERVES

SECTION 13.1.(a) The Judicial Department shall report by September 1, 2003, to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House Representatives Appropriations Subcommittees on Justice and Public Safety on the positions identified in the Administrative Office of the Courts in order to implement operational savings.

SECTION 13.1.(b) The Judicial Department, the Department of Correction, the Department of Crime Control and Public Safety, the Department of Juvenile Justice and Delinquency Prevention, and the Department of Justice shall report quarterly to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the implementation of negative reserves authorized for each agency in this budget. The departments shall report to the Joint Legislative Commission on Governmental Operations before implementing negative reserves by eliminating positions or abolishing programs.

Requested by: Representatives Kiser, Haire

COLLECTION OF WORTHLESS CHECK FUNDS

SECTION 13.2. Notwithstanding the provisions of G.S. 7A-308(c), the Judicial Department may use any balance remaining in the Collection of Worthless Checks Fund on June 30, 2003, for the purchase or repair of office or information technology equipment during the 2003-2004 fiscal year. Prior to using any funds under this section, the Judicial Department shall report to the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the equipment to be purchased or repaired and the reasons for the purchases.

Requested by: Representatives Kiser, Haire

OFFICE OF INDIGENT DEFENSE SERVICES REPORT

SECTION 13.3. The Office of Indigent Defense Services shall report to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by March 1 of each year on:

(1) The volume and cost of cases handled in each district by assigned counsel or public defenders;
(2) Actions taken by the Office to improve the cost-effectiveness and quality of indigent defense, including the capital case program;
(3) Plans for changes in rules, standards, or regulations in the upcoming year; and
(4) Any recommended changes in law or funding procedures that would assist the Office in improving the management of funds expended for indigent defense services.

Requested by: Representatives Kiser, Haire

DRUG TREATMENT COURT PROGRAM

SECTION 13.4.(a) It is the intent of the General Assembly that State Drug Treatment Court funds not be used to fund case manager positions when the services provided by those positions can be reasonably provided by the Treatment Alternatives to Street Crime (TASC) program in the Department of Health and Human Services or by other existing resources. The Drug Treatment Court Program shall identify areas of potential cost savings in the local programs that would result from reducing the number of case manager positions. The Program shall also identify areas in which federal funding might absorb administrative costs.

The Drug Treatment Court Program shall report by February 1, 2004, to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the savings identified.

SECTION 13.4.(b) Prior to the establishment of any new local drug treatment court programs, the local drug treatment court management committee shall consult with the TASC program as to the availability of case management services in that community.

Requested by: Representatives Kiser, Haire

FEDERAL GRANT FUNDS

SECTION 13.5. The Judicial Department shall use up to the sum of one million two hundred fifty thousand dollars ($1,250,000) from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds. The Judicial Department shall also use proceeds from the Court Information Technology Fund to fulfill prior obligations to criminal justice information projects receiving federal funds.

Requested by: Representatives Kiser, Haire

PUBLIC DEFENDER STUDY

SECTION 13.6. The Office of Indigent Defense Services shall study the establishment of additional public defender districts in the State, identifying the areas of the State in which savings could be realized by the establishment of such districts and the projected savings in each area. The Office of Indigent Defense Services shall report to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by March 1, 2004, on the results of its study.

Requested by: Representatives Kiser, Haire

TRANSFER OF EQUIPMENT AND SUPPLY FUNDS

SECTION 13.7. Funds appropriated to the Judicial Department in the 2003-2005 biennium for equipment and supplies shall be certified in a reserve account. The Administrative Office of the Courts may transfer these funds to the appropriate programs and between programs as the equipment priorities and supply consumptions occur during the operating year. These funds shall not be expended for any other purpose.

Requested by: Representatives Kiser, Haire

ADJUST MAGISTRATE AUTHORIZATIONS

SECTION 13.8. G.S. 7A-133(c) reads as rewritten:

"(c) Each county shall have the numbers of magistrates and additional seats of district court, as set forth in the following table:

County	Magistrates Min.	Magistrates Max.	Additional Seats of Court
Camden	1	3	
Chowan	2	3	
Currituck	1	4	
Dare	3	8	
Gates	2	3	
Pasquotank	3	5	
Perquimans	2	4	
Martin	~~5~~4	8	
Beaufort	4	8	
Tyrrell	1	3	
Hyde	2	4	
Washington	3	4	
Pitt	10	12	Farmville Ayden
Craven	7	10	Havelock
Pamlico	2	4	
Carteret	5	8	
Sampson	6	8	
Duplin	~~9~~8	11	
Jones	2	3	
Onslow	8	14	
New Hanover	6	11	
Pender	4	6	
Halifax	9	14	Roanoke Rapids, Scotland Neck

Northampton	5	7		
Bertie	4	6		
Hertford	5	7		
Nash	7	10		Rocky Mount
Edgecombe	4	7		Rocky Mount
Wilson	4	7		
Wayne	5	12		Mount Olive
Greene	2	4		
Lenoir	4	10		La Grange
Granville	3	7		
Vance	3	6		
Warren	3	5		
Franklin	3	7		
Person	3	4		
Caswell	2	5		
Wake	12	21		Apex, Wendell, Fuquay-Varina, Wake Forest
Harnett	7	11		Dunn
Johnston	10	12		Benson, Clayton, Selma
Lee	4	6		
Cumberland	10	19		
Bladen	4	6		
Brunswick	4	9		
Columbus	6	10		Tabor City
Durham	8	13		
Alamance	7	11		Burlington
Orange	4	11		Chapel Hill
Chatham	3	9		Siler City
Scotland	3	5		
Hoke	4	5		
Robeson	8	16		Fairmont, Maxton, Pembroke, Red Springs, Rowland, St. Pauls
Rockingham	4	9		Reidsville, Eden, Madison
Stokes	2	5		
Surry	5	9		Mt. Airy
Guilford	20	27		High Point
Cabarrus	5	9		Kannapolis
Montgomery	2	4		
Randolph	5	10		Liberty
Rowan	5	10		
Stanly	5	6		
Union	4	7		
Anson	4	6		
Richmond	5	6		Hamlet

Moore	5	8	Southern Pines
Forsyth	3	15	Kernersville
Alexander	2	4	
Davidson	7	10	Thomasville
Davie	2	3	
Iredell	4	9	Mooresville
Alleghany	1	2	
Ashe	3	4	
Wilkes	4	6	
Yadkin	3	5	
Avery	3	5	
Madison	4	5	
Mitchell	3	4	
Watauga	4	6	
Yancey	2	4	
Burke	4	7	
Caldwell	4	7	
Catawba	6	10	Hickory
Mecklenburg	15	28	
Gaston	11	22	
Cleveland	5	8	
Lincoln	4	7	
Buncombe	6	15	
Henderson	4	7	
McDowell	3	6	
Polk	3	4	
Rutherford	6	8	
Transylvania	2	4	
Cherokee	3	4	
Clay	1	2	
Graham	2	3	
Haywood	5	7	Canton
Jackson	3	5	
Macon	3	4	
Swain	2	~~34~~"	

Requested by: Representatives Kiser, Haire

SUSPENSION OF COURT-ORDERED ARBITRATION PROGRAM

SECTION 13.9. The Director of the Administrative Office of the Courts shall suspend the court-ordered arbitration program authorized under G.S. 7A-37.1 in any or all districts or counties to the extent that personnel to operate the program or funds to pay arbitrators are not available from any source. The Director may reinstate the program in one or more districts or counties to the extent that such personnel or funds become available.

PART XIV. DEPARTMENT OF JUSTICE

Requested by: Representatives Kiser, Haire

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

SECTION 14.1.(a) Assets transferred to the Departments of Justice, Correction, and Crime Control and Public Safety during the 2003-2005 biennium pursuant to applicable federal law shall be credited to the budgets of the respective departments and shall result in an increase of law enforcement resources for those

departments. The Departments of Justice, Correction, and Crime Control and Public Safety shall report to the Joint Legislative Commission on Governmental Operations upon receipt of the assets and, before using the assets, shall report on the intended use of the assets and the departmental priorities on which the assets may be expended.

SECTION 14.1.(b) The General Assembly finds that the use of assets transferred pursuant to federal law for new personnel positions, new projects, acquisition of real property, repair of buildings where the repair includes structural change, and construction of or additions to buildings may result in additional expenses for the State in future fiscal periods. Therefore, the Department of Justice, the Department of Correction, and the Department of Crime Control and Public Safety are prohibited from using these assets for such purposes without the prior approval of the General Assembly.

SECTION 14.1.(c) Nothing in this section prohibits North Carolina law enforcement agencies from receiving funds from the United States Department of Justice, the United States Department of the Treasury, and the United States Department of Health and Human Services.

Requested by: Representatives Kiser, Haire

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

SECTION 14.2. The Private Protective Services and Alarm Systems Licensing Boards shall pay the appropriate State agency for the use of physical facilities and services provided to those Boards by the State.

Requested by: Representatives Kiser, Haire

CERTAIN LITIGATION EXPENSES TO BE PAID BY CLIENTS

SECTION 14.3. Client departments, agencies, and boards shall reimburse the Department of Justice for reasonable court fees, attorney travel and subsistence costs, and other costs directly related to litigation in which the Department of Justice is representing the department, agency, or board.

Requested by: Representatives Kiser, Haire

REIMBURSEMENT FOR UNC BOARD OF GOVERNORS LEGAL REPRESENTATION

SECTION 14.4. The Department of Justice shall be reimbursed by the Board of Governors of The University of North Carolina for two Attorney III positions to provide legal representation to The University of North Carolina System.

Requested by: Representatives Kiser, Haire

REPORT ON CRIMINAL RECORDS CHECKS CONDUCTED FOR CONCEALED HANDGUN PERMITS/STUDY FEE ADJUSTMENT FOR CRIMINAL RECORDS CHECKS

SECTION 14.5.(a) The Department of Justice shall report by January 15 each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the receipts, costs for, and number of criminal records checks performed in connection with applications for concealed weapons permits. The report by the Department of Justice shall also include information on the number of applications received and approved for firearms safety courses.

SECTION 14.5.(b) The Office of State Budget and Management, in consultation with the Department of Justice, shall study the feasibility of adjusting the fees charged for criminal records checks conducted by the Division of Criminal Information of the Department of Justice as a result of the increase in receipts from criminal records checks. The study shall include an assessment of the Division's

operational, personnel, and overhead costs related to providing criminal records checks and how those costs have changed since the prior fiscal year. The Office of State Budget and Management shall report its findings and recommendations to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, and the Fiscal Research Division on or before March 1, 2004.

Requested by: Representatives Kiser, Haire

NC LEGAL EDUCATION ASSISTANCE FOUNDATION REPORT ON FUNDS DISBURSED

SECTION 14.6. The North Carolina Legal Education Assistance Foundation shall report by March 1, 2004, to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Justice and Public Safety Subcommittees on its internal controls and procedures for ensuring that all funds designated for payoff of education loans are used for that purpose.

PART XV. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION

Requested by: Representatives Kiser, Haire

S.O.S. ADMINISTRATIVE COST LIMITS

SECTION 15.1. Of the funds appropriated to the Department of Juvenile Justice and Delinquency Prevention in this act, not more than four hundred fifty thousand dollars ($450,000) for the 2003-2004 fiscal year and not more than four hundred fifty thousand dollars ($450,000) for the 2004-2005 fiscal year may be used to administer the S.O.S. Program, to provide technical assistance to applicants and to local S.O.S. programs, and to evaluate the local S.O.S. programs. The Department may contract with appropriate public or nonprofit agencies to provide the technical assistance, including training and related services.

Requested by: Representatives Kiser, Haire

JUVENILE CRIME PREVENTION COUNCIL GRANT REPORTING AND CERTIFICATION

SECTION 15.2.(a) On or before May 1 each year, the Department of Juvenile Justice and Delinquency Prevention shall submit to the Joint Legislative Commission on Governmental Operations and the Appropriations Committees of the Senate and House of Representatives a list of the recipients of the grants awarded, or preapproved for award, from funds appropriated to the Department for local Juvenile Crime Prevention Council grants. The list shall include for each recipient the amount of the grant awarded, the membership of the local committee or council administering the award funds on the local level, and a short description of the local services, programs, or projects that will receive funds. The list shall also identify any programs that received grant funds at one time but for which funding has been eliminated by the Department of Juvenile Justice and Delinquency Prevention. A written copy of the list and other information regarding the projects shall also be sent to the Fiscal Research Division of the General Assembly.

SECTION 15.2.(b) Each county in which local programs receive Juvenile Crime Prevention Council grant funds from the Department of Juvenile Justice and Delinquency Prevention shall certify annually through its local council to the Department that funds received are not used to duplicate or supplant other programs within the county.

Requested by: Representatives Kiser, Haire

REPORTS ON CERTAIN PROGRAMS

SECTION 15.3.(a) Project Challenge North Carolina, Inc., shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 1 each year on the operation and the effectiveness of its program in providing alternative dispositions and services to juveniles who have been adjudicated delinquent or undisciplined. The report shall include information on the source of referrals for juveniles, the types of offenses committed by juveniles participating in the program, the amount of time those juveniles spend in the program, the number of juveniles who successfully complete the program, and the number of juveniles who commit additional offenses after completing the program.

SECTION 15.3.(b) The Department of Juvenile Justice and Delinquency Prevention shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the effectiveness of the Juvenile Assessment Center by April 1 each year. The report on the Juvenile Assessment Center shall include information on the number of juveniles served and an evaluation of the effectiveness of juvenile assessment plans and services provided as a result of these plans.

SECTION 15.3.(c) Communities in Schools shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety, the Joint Legislative Commission on Governmental Operations, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, and the Joint Legislative Education Oversight Committee by April 1 each year on the operation and the effectiveness of its program. The report shall include information on the number of children served, the number of volunteers used, the impact on the children who have received services from Communities in Schools, and the operating budget of Communities in Schools.

Requested by: Representatives Kiser, Haire

STATE FUNDS MAY BE USED AS FEDERAL MATCHING FUNDS

SECTION 15.4. Funds appropriated in this act to the Department of Juvenile Justice and Delinquency Prevention for the 2003-2004 fiscal year may be used as matching funds for the Juvenile Accountability Incentive Block Grants. If North Carolina receives Juvenile Accountability Incentive Block Grants, or a notice of funds to be awarded, the Office of State Budget and Management and the Governor's Crime Commission shall consult with the Department of Juvenile Justice and Delinquency Prevention regarding the criteria for awarding federal funds. The Office of State Budget and Management, the Governor's Crime Commission, and the Department of Juvenile Justice and Delinquency Prevention shall report to the Appropriations Committees of the Senate and House of Representatives and the Joint Legislative Commission on Governmental Operations prior to allocation of the federal funds. The report shall identify the amount of funds to be received for the 2003-2004 fiscal year, the amount of funds anticipated for the 2004-2005 fiscal year, and the allocation of funds by program and purpose.

Requested by: Representatives Kiser, Haire

ANNUAL EVALUATION OF COMMUNITY PROGRAMS

SECTION 15.5. The Department of Juvenile Justice and Delinquency Prevention shall conduct an evaluation of the Eckerd and Camp Woodson wilderness camp programs, the teen court programs, the program that grants funds to the local organizations of the Boys and Girls Clubs established pursuant to Section 21.10 of S.L. 1999-237, the Save Our Students program, the Governor's One-on-One Programs, and multipurpose group homes. The teen court report shall include statistical information on the number of juveniles served, the number and type of offenses considered by teen courts, referral sources for teen courts, and the number of juveniles that become court-involved after participation in teen courts. The report on the Boys and Girls Clubs program shall include information on:

(1) The expenditure of State appropriations on the program;
(2) The operations and the effectiveness of the program; and
(3) The number of juveniles served under the program.

In conducting the evaluation of each of these programs, the Department shall consider whether participation in each program results in a reduction of court involvement among juveniles. The Department shall also identify whether the programs are achieving the goals and objectives of the Juvenile Justice Act, S.L. 1998-202. The Department shall report the results of the evaluation to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the Subcommittees of Justice and Public Safety of the House of Representatives and Senate Appropriations Committees by March 1 of each year.

Requested by: Representatives Kiser, Haire

USE OF FUNDS FOR YOUTH DEVELOPMENT CENTER BEDS

SECTION 15.6.(a) The Department of Juvenile Justice and Delinquency Prevention may use funds available during the 2003-2004 fiscal year to establish or reestablish Youth Development Center beds and convert up to 50 beds in one Eckerd Wilderness Camp for use as a Youth Development Center, as defined in G.S. 7B-1501. Any conversion shall be effectuated with existing contract funds. If the Department of Juvenile Justice and Delinquency Prevention determines it needs additional youth development center beds during the 2003-2004 fiscal year, it shall consider reestablishing beds at Samarkand Manor Youth Development Center.

SECTION 15.6.(b) The Department shall report to the Chairs of the Justice and Public Safety Subcommittees of the House of Representatives and the Senate and the Joint Legislative Commission on Governmental Operations and the Corrections, Crime Control, and Juvenile Justice Oversight Committee prior to:

(1) Converting any Eckerd Wilderness Camp beds to secure confinement beds during the 2003-2004 fiscal year; or
(2) Establishing bed capacity greater than 740 total beds, including beds converted at Eckerd Wilderness Camps, during the 2003-2004 fiscal year.

The report shall include the sources of funding for any additional beds.

Requested by: Representatives Kiser, Haire

PLANNING FOR NEW YOUTH DEVELOPMENT CENTERS

SECTION 15.7. The Department of Juvenile Justice and Delinquency Prevention may use funds appropriated to the Department in this act to continue the planning and design of new youth development centers with up to 500 total beds. The Department shall design facilities that are conducive to effective security and programming while ensuring improved staffing efficiencies.

The Department of Juvenile Justice and Delinquency Prevention shall provide a quarterly status report to the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee and to the Chairs of the House of Representatives Appropriations Subcommittee on Justice and Public Safety and the Senate Appropriations Committee on Justice and Public Safety on the number of youth development centers to be designed and the number of beds at each, as well as the rationale for the number of beds to be built at each facility. The report shall also include:

(1) The status of the plan and design of the new facilities.
(2) The proposed sites for the facilities.
(3) How the plan and design will meet the mandate of ensuring effective security and programming while improving staff efficiencies.
(4) The Department's long-range plan for closing other youth development centers or individual cottages at selected youth development centers or

revising the mission or objective of individual youth development centers.

Requested by: Representatives Kiser, Haire

OPERATION OF BUNCOMBE YOUTH DETENTION CENTER

SECTION 15.8. The Department of Juvenile Justice and Delinquency Prevention shall continue to operate the Buncombe Youth Detention Center at its current site during the 2003-2004 fiscal year. To the extent practicable during the 2003-2004 fiscal year, the Department shall operate the Buncombe Youth Detention Center at the same average population and staffing levels and at the same budget as the 2002-2003 fiscal year.

PART XVI. DEPARTMENT OF CORRECTION

Requested by: Representatives Kiser, Haire

FEDERAL GRANT REPORTING

SECTION 16.1. The Department of Correction, the Department of Justice, the Department of Crime Control and Public Safety, the Judicial Department, and the Department of Juvenile Justice and Delinquency Prevention shall report by May 1 of each year to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on federal grant funds received or preapproved for receipt by those departments. The report shall include information on the amount of grant funds received or preapproved for receipt by each department, the use of the funds, the State match expended to receive the funds, and the period to be covered by each grant. If the department intends to continue the program beyond the end of the grant period, the department shall report on the proposed method for continuing the funding of the program at the end of the grant period. Each department shall also report on any information it may have indicating that the State will be requested to provide future funding for a program presently supported by a local grant.

Requested by: Representatives Kiser, Haire

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

SECTION 16.2. The Department of Correction may use funds available to the Department for the 2003-2005 biennium to pay the sum of forty dollars ($40.00) 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 G.S. 148-29. The Department shall report quarterly to the Joint Legislative Commission on Governmental Operations, the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the expenditure of funds to reimburse counties for prisoners awaiting transfer and on its progress in reducing the jail backlog.

Requested by: Representatives Kiser, Haire

SHIFT PAY FOR SECURITY STAFF

SECTION 16.3. The Department of Correction may use funds available for the 2003-2004 fiscal year for the payment to security staff of special supplemental weekend shift premium pay that exceeds standard weekend shift pay by up to ten percent (10%). The Department shall also continue to take steps to hold down the cost

of shift pay by converting prisons from three eight-hour shifts to two 12-hour shifts whenever practical.

The Department of Correction shall report to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by April 1, 2004, on its progress in converting prison work shifts from eight hours to 12 hours. The report shall include information on savings generated to date and potential future savings, as well as any changes in employee morale and leave usage, as a result of converting to 12-hour shifts.

Requested by: Representatives Kiser, Haire

DEPARTMENT OF CORRECTION SECURITY STAFFING FORMULAS

SECTION 16.4.(a) The Department of Correction shall conduct annual security staffing postaudits of each prison.

SECTION 16.4.(b) The Department of Correction shall annually update the security staffing relief formula. Each update shall include a review of all annual training requirements for security staff to determine which of these requirements should be mandatory and the appropriate frequency of the training.

SECTION 16.4.(c) The Department of Correction shall report on its progress in implementing the staffing recommendations of the National Institute of Corrections to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by February 1, 2004. The report shall include a status report on the implementation of a centralized postaudit control system and the automation of leave records.

Requested by: Representatives Kiser, Haire

USE OF CLOSED PRISON FACILITIES

SECTION 16.5. In conjunction with the closing of prison facilities, including small expensive prison units recommended for consolidation by the Government Performance Audit Committee, the Department of Correction shall 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. The Department may also consult with any private for-profit or nonprofit firm about the possibility of converting the unit to other use. In developing a proposal for future use of each unit, the Department shall give priority to converting the unit to other criminal justice use. Consistent with existing law and the future needs of the Department of Correction, the State may provide for the transfer or the lease of any of these units to counties, municipalities, State agencies, or private firms wishing to convert them to other use. The Department of Correction may also consider converting some of the units recommended for closing from one security custody level to another, where that conversion would be cost-effective. 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 G.S. 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.

Prior to any transfer or lease of these units, the Department of Correction shall report on the terms of the proposed transfer or lease to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee. The Department of Correction shall also provide annual summary reports to the Joint Legislative Commission on Governmental Operations and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the conversion of these units to other use and on all leases or transfers entered into pursuant to this section.

Requested by: Representatives Kiser, Haire

INMATE COSTS/MEDICAL BUDGET FOR PRESCRIPTION DRUGS

SECTION 16.6.(a) If the cost of providing food and health care to inmates housed in the Division of Prisons is anticipated to exceed the continuation budget amounts provided for that purpose in this act, the Department of Correction shall report the reasons for the anticipated cost increase and the source of funds the Department intends to use to cover those additional needs to the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate and House of Representatives Appropriations Committees, and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety.

SECTION 16.6.(b) Notwithstanding the provisions of G.S. 143-23(a2), the Department of Correction may use funds available during the 2003-2005 biennium for the purchase of prescription drugs for inmates if expenditures are projected to exceed the Department's inmate medical continuation budget for prescription drugs. The Department shall consult with the Joint Legislative Commission on Governmental Operations prior to exceeding the continuation budget amount.

Requested by: Representatives Kiser, Haire

MOBILE MEDICAL OPERATING ROOM

SECTION 16.7. The Department of Correction shall continue the contract for a mobile medical operating room at Central Prison for the 2003-2004 fiscal year at a reduced fixed rate that more clearly reflects the usage. However, the Department shall use the mobile unit for additional procedures, as authorized by the terms of the agreement, whenever the Department's Utilization Review Team determines that (i) a specific procedure can be performed at a cost below that charged by a public or private hospital; and (ii) there is no compelling medical reason for performing the procedure in a hospital instead of using the mobile medical unit.

The Department shall also study the use of this mobile operating room and report by April 1, 2004, to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety. The report shall recommend whether the mobile unit should be continued, eliminated, or expanded in terms of capacity of the current unit and the potential for establishing an additional mobile unit. The report shall also include information on the number and type of procedures performed over and above the fixed-rate contract and the savings generated.

Requested by: Representatives Kiser, Haire

CONVERSION OF CONTRACTED MEDICAL POSITIONS

SECTION 16.8.(a) The Department of Correction may convert contract medical positions to permanent State medical positions at individual correctional facilities if the Department can document that the total savings generated will exceed the total cost of the new positions for each facility. Where practical, the Department shall convert contract positions to permanent positions by using existing vacancies in medical positions.

SECTION 16.8.(b) The Department of Correction shall report by April 1, 2004, to the Joint Legislative Commission on Governmental Operations and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on all conversions made pursuant to this section, by type of position and location, and on the savings generated at each correctional facility.

Requested by: Representatives Kiser, Haire

LIMIT USE OF OPERATIONAL FUNDS

SECTION 16.9. Funds appropriated in this act to the Department of Correction for operational costs for additional facilities shall be used for personnel and operating expenses set forth in the budget approved by the General Assembly in this act. These funds shall not be expended for any other purpose, except as provided for in this act, and shall not be expended for additional prison personnel positions until the new

facilities are within 120 days of projected completion, except for certain management, security, and support positions necessary to prepare the facility for opening, as authorized in the budget approved by the General Assembly.

Requested by: Representatives Kiser, Haire

FEDERAL GRANT MATCHING FUNDS

SECTION 16.10. Notwithstanding the provisions of G.S. 148-2, the Department of Correction may use up to the sum of nine hundred thousand dollars ($900,000) from funds available to the Department to provide the State match needed in order to receive federal grant funds. Prior to using funds for this purpose, the Department shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Commission on Governmental Operations on the grants to be matched using these funds.

Requested by: Representatives Kiser, Haire

COMPUTER/DATA PROCESSING SERVICES FUNDS

SECTION 16.11. Notwithstanding the provisions of G.S. 143-23(a2), the Department of Correction may use funds available during the 2003-2005 biennium for expenses for computer/data processing services if expenditures exceed the Department's continuation budget amount for those services. The Department shall report to the Joint Legislative Commission on Governmental Operations prior to exceeding the continuation budget amount.

Requested by: Representatives Kiser, Haire

MEDIUM CUSTODY ROAD CREW COMPENSATION/COMMUNITY WORK CREWS

SECTION 16.12.(a) Of funds appropriated to the Department of Transportation by this act, the sum of ten million dollars ($10,000,000) per year shall be transferred by the Department of Transportation to the Department of Correction during the 2003-2005 biennium for the actual costs of highway-related labor performed by medium-custody prisoners, as authorized by G.S. 148-26.5. This transfer shall be made quarterly in the amount of two million five hundred thousand dollars ($2,500,000). The Department of Transportation may use funds appropriated by this act to pay an additional amount exceeding the ten million dollars ($10,000,000), but those payments shall be subject to negotiations among the Department of Transportation, the Department of Correction, and the Office of State Budget and Management prior to payment by the Department of Transportation.

SECTION 16.12.(b) The Department of Correction may use up to 39 work crews for Department of Transportation litter control projects. The Department of Transportation shall transfer at least one million three hundred thousand dollars ($1,300,000) per year from the Highway Fund to the Department of Correction during the 2003-2005 biennium to cover the cost of those work crews. Should the two departments determine that the actual cost of operating 39 work crews exceeds that amount, the Department of Transportation shall transfer an additional amount as agreed upon by the two departments and the Office of State Budget and Management.

Requested by: Representatives Kiser, Haire

ENERGY FOR COMMITTED OFFENDERS/CONTRACT AND REPORT

SECTION 16.13. The Department of Correction may continue to contract with Energy for Committed Offenders, Inc., for the purchase of prison beds for minimum security female inmates during the 2003-2005 biennium. Energy for Committed Offenders, Inc., shall 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 Department of Correction. Energy for Committed Offenders, Inc., shall also provide information on the rearrest rate and the return-to-prison rate for inmates participating in the program who are paroled or released from prison.

Requested by: Representatives Kiser, Haire

ELECTRONIC MONITORING COSTS

SECTION 16.14. The Department of Correction shall report by March 1, 2004, to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on efforts to increase the use of electronic monitoring of sentenced offenders in the community as an alternative to the incarceration of probation violators. The report shall also document the geographical distribution of electronic monitoring use compared to other intermediate sanctions.

Requested by: Representatives Kiser, Haire

COLLECTION OF OFFENDER FEES

SECTION 16.15. The Department of Correction and the Judicial Department shall report by April 1, 2004, to the Chairs of the Senate and House of Representatives Appropriations Committees and the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on the success of their efforts to improve the collection rate of offender fees for probationers and for nonprobationers sentenced to community service and on any recommendations for statutory or procedural changes that will improve the collection of financial obligations from offenders.

The report shall include a comparison of the percentage of offender fees collected in the most recent year compared to prior years, including the percentage of offenders who were ordered to pay fees and the percentage of offenders who actually paid those fees. The report shall also include the total offender fees collected, in dollars and as a percentage of the fees ordered, and the fees that could have been ordered based on the sentence and conditions imposed by the judge. If any of this information cannot be collected, the report shall include a description of the data collection issues and a plan for addressing those issues.

Requested by: Representatives Kiser, Haire

CRIMINAL JUSTICE PARTNERSHIP PROGRAM

SECTION 16.16.(a) It is the intent of the General Assembly that State Criminal Justice Partnership Program funds not be used to fund case manager positions when those services can be reasonably provided by Division of Community Corrections personnel or by the Treatment Alternatives to Street Crime (TASC) Program in the Department of Health and Human Services.

SECTION 16.16.(b) Notwithstanding the provisions of G.S. 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, the Department of Correction 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.

SECTION 16.16.(c) The Department of Correction may not deny funds to a county to support both a residential program and a day reporting center if the Department of Correction determines that the county has a demonstrated need and a fully developed plan for each type of sanction.

SECTION 16.16.(d) The Department of Correction shall report by February 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Committees, the Senate and House of Representatives Appropriations Subcommittees

on Justice and Public Safety, and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on the status of the State-County Criminal Justice Partnership Program. The report shall include the following information:

(1) The amount of funds carried over from the prior fiscal year;
(2) The dollar amount and purpose of grants awarded to counties as discretionary grants for the current fiscal year;
(3) Any counties the Department anticipates will submit requests for new implementation grants;
(4) An update on efforts to ensure that all counties make use of the electronic reporting system, including the number of counties submitting offender participation data via the system;
(5) An analysis of offender participation data received, including data on each program's utilization and capacity; and
(6) An analysis of comparable programs, prepared by the Research and Planning Division of the Department of Correction, and a summary of the reports prepared by county Criminal Justice Partnerships Advisory Boards.

Requested by: Representatives Kiser, Haire

REPORTS ON NONPROFIT PROGRAMS

SECTION 16.17.(a) Funds appropriated in this act to the Department of Correction to support the programs of Harriet's House may be used for program operating costs, the purchase of equipment, and the rental of real property. Harriet's House shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served and the number of clients who successfully complete the Harriet's House program.

SECTION 16.17.(b) Summit House shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State appropriations and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, and the number of clients who successfully complete the program while housed at Summit House, Inc.

SECTION 16.17.(c) Women at Risk shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State funds and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, and the number of clients who have successfully completed the program.

SECTION 16.17.(d) The John Hyman Foundation shall report by February 1 of each year to the Joint Legislative Commission on Governmental Operations on the expenditure of State funds and on the effectiveness of the program, including information on the number of clients served, the number of clients who have had their probation revoked, and the number of clients who have successfully completed the program.

Requested by: Representatives Kiser, Haire

REPORT ON PROBATION AND PAROLE CASELOADS

SECTION 16.18. The Department of Correction shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on caseload averages for probation and parole officers. The report shall include:

(1) Data on current caseload averages for Probation Parole Officer I, Probation Parole Officer II, and Probation Parole Officer III positions;

(2) An analysis of the optimal caseloads for these officer classifications; and
(3) An assessment of the role of surveillance officers.

Requested by: Representatives Kiser, Haire

COMMUNITY SERVICE WORK PROGRAM

SECTION 16.19. The Department of Correction shall report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by May 1, 2004, on the integration of the Community Service Work Program into the Division of Community Corrections, including the Department's ability to monitor the collection of offender payments from unsupervised offenders sentenced to community service. The Department shall also report to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety by May 1, 2004, and by February 1 annually beginning in 2005, on the average caseloads of Community Service Work Program coordinators, by district, division, and statewide. The report shall also include the money collected, the type and value of the work performed, and the number of offenders in the Community Service Work Program, by type of referral (i.e. parole, supervised probation, unsupervised probation or community punishment, DWI, any other agency referrals).

Requested by: Representatives Kiser, Haire

REPORT ON INMATES ELIGIBLE FOR PAROLE

SECTION 16.20. The Post-Release Supervision and Parole Commission shall report by January 15 and July 15 of each year to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety and the Joint Legislative Corrections, Crime Control, and Juvenile Justice Oversight Committee on inmates eligible for parole. These reports shall include at least the following:

(1) The total number of Fair Sentencing and Pre-Fair Sentencing inmates that were parole-eligible during the current fiscal year and the total number of those inmates that were paroled. The report should group these inmates by offense type, custody classification, and type of parole;
(2) The average time served, by offense class, of Fair Sentencing and Pre-Fair Sentencing inmates compared to inmates sentenced under Structured Sentencing; and
(3) The projected number of parole-eligible inmates to be paroled or released by the end of the 2003-2004 fiscal year and by the end of the 2004-2005 fiscal year.

Requested by: Representatives Kiser, Haire

POST-RELEASE SUPERVISION AND PAROLE COMMISSION/REPORT ON STAFFING REORGANIZATION AND REDUCTION

SECTION 16.21. The Post-Release Supervision and Parole Commission shall report by March 1 of each year to the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety on an updated transition plan for implementing staff reductions.

PART XVII. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

Requested by: Representatives Kiser, Haire

TRANSFER CJIN TO THE DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY

SECTION 17.1.(a) G.S. 143-661(a) reads as rewritten:

"(a) The Criminal Justice Information Network Governing Board is established within the Department of ~~Justice, State Bureau of Investigation,~~ Crime Control and

Public Safety, to operate the State's Criminal Justice Information Network, the purpose of which shall be to provide the governmental and technical information systems infrastructure necessary for accomplishing State and local governmental public safety and justice functions in the most effective manner by appropriately and efficiently sharing criminal justice and juvenile justice information among law enforcement, judicial, and corrections agencies. The Board is established within the Department of ~~Justice, State Bureau of Investigation,~~ Crime Control and Public Safety, for organizational and budgetary purposes only and the Board shall exercise all of its statutory powers in this Article independent of control by the Department of ~~Justice.~~Crime Control and Public Safety."

SECTION 17.1.(b) G.S. 143-664(b) reads as rewritten:

"(b) Pending permanent staffing, the Department shall provide the Board with professional and clerical staff and any additional support the Board needs to fulfill its mandate. The Board may meet in an area provided by the Department of ~~Justice~~ Crime Control and Public Safety and the Board's staff shall use space provided by the Department."

SECTION 17.1.(c) The Criminal Justice Information Network as provided in Article 69 of Chapter 143 of the General Statutes is hereby transferred by a Type II transfer, as defined in G.S. 143A-6, to the Department of Crime Control and Public Safety.

Requested by: Representatives Kiser, Haire

THE JUVENILE JUSTICE INFORMATION SYSTEM

SECTION 17.2.(a) G.S. 143B-516(13) reads as rewritten:

"(13) ~~Assist the Criminal Justice Information Network Governing Board with administering~~ Develop and administer a comprehensive juvenile justice information system to collect data and information about delinquent juveniles for the purpose of developing treatment and intervention plans and allowing reliable assessment and evaluation of the effectiveness of rehabilitative and preventive services provided to delinquent juveniles."

SECTION 17.2.(b) G.S. 143-663(a)(1) reads as rewritten:

"(1) To establish and operate the Network as an integrated system of State and local government components for effectively and efficiently storing, communicating, and using criminal justice information at the State and local levels throughout North Carolina's law enforcement, judicial, juvenile justice, and corrections agencies, with the components of the Network to include electronic devices, programs, data, and governance and to set the Network's policies and procedures."

Requested by: Representatives Kiser, Haire

ANNUAL EVALUATION OF THE TARHEEL CHALLENGE PROGRAM

SECTION 17.3. The Department of Crime Control and Public Safety shall report to the Chairs of the House of Representatives and Senate Appropriations Committees and the Chairs of the House of Representatives and Senate Appropriations Subcommittees on Justice and Public Safety by April 1 of each year on the operations and effectiveness of the National Guard Tarheel Challenge Program. The report should evaluate the program's effectiveness as an intervention method for preventing juveniles from becoming undisciplined or delinquent. The report shall also evaluate the Program's role in improving individual skills and employment potential for participants and shall include:

(1) The source of referrals for individuals participating in the Program;
(2) The summary of types of actions or offenses committed by the participants of the Program;

(3) An analysis outlining the cost of providing services for each participant, including a breakdown of all expenditures related to the administration and operation of the Program and the education and treatment of the Program participants;
(4) The number of individuals who successfully complete the Program; and
(5) The number of participants who commit offenses after completing the Program.

Requested by: Representatives Kiser, Haire

LEGISLATIVE REVIEW OF DRUG LAW ENFORCEMENT AND OTHER GRANTS

SECTION 17.4.(a) Section 1303(4) of the Omnibus Crime Control and Safe Streets Act of 1968 provides that the State application for Drug Law Enforcement Grants is subject to review by the State legislature or its designated body. Therefore, the Governor's Crime Commission of the Department of Crime Control and Public Safety shall report on the State application for grants under the State and Local Law Enforcement Assistance Act of 1986, Part M of the Omnibus Crime Control and Safe Streets Act of 1968 as enacted by Subtitle K of P.L. 99-570, the Anti-Drug Abuse Act of 1986, to the Senate and House of Representatives Appropriations Subcommittees on Justice and Public Safety when the General Assembly is in session. When the General Assembly is not in session, the Governor's Crime Commission shall report on the State application to the Joint Legislative Commission on Governmental Operations.

SECTION 17.4.(b) Unless a State statute provides a different forum for review, when a federal law or regulation provides that an individual State application for a grant shall be reviewed by the State legislature or its designated body and at the time of the review the General Assembly is not in session, that application shall be reviewed by the Joint Legislative Commission on Governmental Operations.

Requested by: Representatives Kiser, Haire

VICTIMS ASSISTANCE NETWORK REPORT

SECTION 17.5. The Department of Crime Control and Public Safety shall report on the expenditure of funds allocated pursuant to this section for the Victims Assistance Network. The Department shall also report on the Network's efforts to gather data on crime victims and their needs, act as a clearinghouse for crime victims' services, provide an automated crime victims' bulletin board for subscribers, coordinate and support activities of other crime victims' advocacy groups, identify the training needs of crime victims' services providers and criminal justice personnel, and coordinate training for these personnel. The Department shall submit its report to the Chairs of the Appropriations Subcommittees on Justice and Public Safety of the Senate and House of Representatives by December 1 of each year of the biennium.

PART XVIII. DEPARTMENT OF ADMINISTRATION

Requested by: Representatives Jeffus, Walend

AGENCIES TO USE MAIL SERVICE CENTER

SECTION 18.1. G.S. 143-341(8)g. reads as rewritten:

"**§ 143-341. Powers and duties of Department.**

The Department of Administration has the following powers and duties:

...

(8) General Services:

...

g. To establish and operate a ~~central mailing system~~ mail service center ~~for~~ that shall be used by all State ~~agencies,~~ agencies other than the Employment Security Commission, and in connection

therewith and in the discretion of the Secretary, ~~to make application for and procure a post office substation for that purpose, and~~ to do all things necessary in connection with the maintenance of the ~~central mailing system.~~ mail service center. The Secretary ~~may~~ shall allocate and charge against the respective departments and agencies their proportionate parts of the cost of the maintenance of the ~~central mailing system.~~ mail service center. The Secretary shall develop a plan for the efficient operation of the center that meets the needs of State agencies and ensures timely delivery of ~~mail, and shall present that plan to the Office of State Budget and Management and the General Assembly no later than the convening date of the 2003 General Assembly.~~mail.

Requested by: Representatives Jeffus, Walend

STUDY OF ADVOCACY PROGRAMS IN THE DEPARTMENT OF ADMINISTRATION

SECTION 18.2. The Secretary of the Department of Administration, in collaboration with appropriate entities which concentrate on public policy and business management, shall study the functions of the advocacy programs that are housed in the Department of Administration to determine the appropriate organizational placement of the programs within State government. The study shall also consider whether the functions of the programs could be more efficiently and effectively performed by an appropriate nonprofit organization. The Secretary shall report the findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Senate and House of Representatives Appropriations Committees by May 1, 2004.

PART XIX. OFFICE OF THE STATE AUDITOR

Requested by: Representatives Jeffus, Walend

SMART START AUDITS

SECTION 19.1. G.S. 143B-168.14(b) reads as rewritten:

"(b) Each local partnership shall be subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes. The State Auditor shall conduct annual financial and compliance audits of ~~the~~ local ~~partnerships.~~partnerships that are rated "needs improvement" in performance assessments authorized in G.S. 143B-168.12(a)(7). Local partnerships that are rated "superior" or "satisfactory" in performance assessments authorized in G.S. 143B-168.12(a)(7) shall undergo biennial financial and compliance audits by the State Auditor."

PART XX. OFFICE OF THE GOVERNOR

Requested by: Representatives Jeffus, Walend

HOUSING FINANCE AGENCY HOME MATCHING FUNDS

SECTION 20.1.(a) Funds appropriated in this act to the Housing Finance Agency for the federal HOME Program shall be used to match federal funds appropriated for the HOME Program. In allocating State funds appropriated to match federal HOME Program funds, the Agency shall give priority to HOME Program projects, as follows:

(1) First priority to projects that are located in counties designated as Tier One, Tier Two, or Tier Three Enterprise Counties under G.S. 105-129.3; and

(2) Second priority to projects that benefit persons and families whose incomes are fifty percent (50%) or less of the median family income for the local area, with adjustments for family size, according to the latest figures available from the United States Department of Housing and Urban Development.

The Housing Finance Agency shall report to the Joint Legislative Commission on Governmental Operations by April 1 of each year concerning the status of the HOME Program and shall include in the report information on priorities met, types of activities funded, and types of activities not funded.

SECTION 20.1.(b) If the United States Congress changes the HOME Program such that matching funds are not required for a given program year, then the Agency shall not spend the matching funds appropriated under this act for that program year.

SECTION 20.1.(c) Funds appropriated in this act to match federal HOME Program funds shall not revert to the General Fund on June 30, 2004, or on June 30, 2005.

PART XXI. INFORMATION TECHNOLOGY

Requested by: Representatives Jeffus, Walend

ITS BUDGET STRUCTURE REVIEW/REPORT

SECTION 21.1. The Office of State Budget and Management (OSBM) shall conduct a study of information technology (IT) expenditures across all of State government, with focused attention to identification and elimination of duplicative IT expenditures, operations, and inventory, to identify and recommend potential cost savings and efficiencies in State agency IT operations. In this study, OSBM should address the following questions:

(1) Is State government's IT budgeting and organizational structure the most efficient approach?

(2) What alternative IT budgeting and organizational structures could help North Carolina realize cost savings?

OSBM is also directed to work in conjunction with the Office of Information Technology Services (ITS) and the Information Resource Management Commission (IRMC) to study the ITS and IRMC budget structures, and, in addition to recommending efficiencies, OSBM, ITS, and the IRMC shall develop a plan to propose how the ITS and IRMC budgets should be transitioned to General Fund agency supported operations. By April 1, 2004, OSBM shall make reports on these matters to the Joint Legislative Commission on Governmental Operations, the Chairs of the Joint Appropriations Subcommittee on General Government, and the Fiscal Research Division.

PART XXII. DEPARTMENT OF INSURANCE

Requested by: Representatives Jeffus, Walend

INSURANCE FUND TRANSFER TO GENERAL FUND

SECTION 22.1. The Commissioner of Insurance shall transfer funds quarterly from the Department of Insurance Fund to the General Fund to repay the funds appropriated to the Department of Insurance from the General Fund for each fiscal year, plus accrued interest at a rate determined by the State Treasurer.

PART XXIII. DEPARTMENT OF REVENUE

Requested by: Representatives Jeffus, Walend

DOR TAXPAYER TELECOMMUNICATIONS SERVICE

SECTION 23.1. Section 22.6 of S.L. 2002-126 reads as rewritten:

"**SECTION 22.6.(a)** The Department of Revenue may draw up to seven million eight hundred forty thousand five hundred thirteen dollars ($7,840,513) through June 30, ~~2004,~~2005, from the collection assistance fee account created in G.S. 105-243.1 in order to pay for the costs of establishing and equipping a central taxpayer telecommunications service center for collections and assistance and for the costs associated with aligning local field offices with the new center.

~~"**SECTION 22.6.(b)** The Secretary of Revenue shall consult with the Joint Legislative Commission on Governmental Operations on a detailed plan with proposed costs before any funds may be expended for these purposes. This plan must be presented by October 31, 2002.~~

"**SECTION 22.6.(c)** Beginning January 1, 2003, and ending on the second quarter following completion of the projects described in subsection (a) of this section, the Department of Revenue must report quarterly to the Joint Legislative Commission on Governmental Operations on the use of the funds and the progress of establishing the new center."

Requested by: Representatives Jeffus, Walend

CERTAIN DOR POSITIONS FEE-SUPPORTED

SECTION 23.2. Of the funds in the collection assistance fee account created in G.S. 105-243.1, the Department of Revenue may use up to five hundred thirty-one thousand five hundred twelve dollars ($531,512) in each year of the 2003-2005 fiscal biennium for salary and related fringe benefits for the following positions formerly supported from the General Fund:

Position No. 4784-0000-0076-621 - Revenue Officer II
Position No. 4784-0000-0076-622 - Revenue Officer II
Position No. 4784-0000-0076-636 - Revenue Officer I
Position No. 4784-0000-0076-637 - Revenue Officer I
Position No. 4784-0000-0076-638 - Revenue Officer I
Position No. 4784-0000-0076-639 - Revenue Officer I
Position No. 4784-0000-0076-640 - Revenue Officer I
Position No. 4784-0000-0076-641 - Revenue Officer I
Position No. 4784-0000-0076-642 - Revenue Officer I
Position No. 4784-0000-0076-643 - Revenue Officer I
Position No. 4784-0000-0076-644 - Revenue Officer I
Position No. 4784-0000-0076-645 - Revenue Officer I
Position No. 4784-0000-0076-647 - Revenue Officer I

PART XXIV. SECRETARY OF STATE

Requested by: Representatives Jeffus, Walend

TRANSFER CONSULTATION REQUIREMENT UNDER BUSINESS LICENSE INFORMATION OFFICE TO SMALL BUSINESS CENTERS

SECTION 24.1.(a) The Department of the Secretary of State (Department) and the North Carolina Community College System (System) shall develop and implement a plan to transfer the consultation function of the Business License Information Office (BLIO) in the Department to the Small Business Centers that are located within each of the community colleges in the System. The plan shall provide for the following:

(1) Establishment of a Statewide Coordinator position who will develop and maintain a web-based master application system of all State licensing and regulatory requirements.
(2) Development and ongoing maintenance of a web-based master application system of all State licensing and regulatory requirements.
(3) Training for the Directors of the Small Business Centers.
(4) Phase-out of the BLIO consultant positions.

SECTION 24.1.(b) The Department shall use funds appropriated for the 2003-2004 fiscal year for the Business License Information Office (Fund 1240) in Budget Code 13200 to develop the web-based master application and for training.

SECTION 24.1.(c) The Department and the System shall present their plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives by October 1, 2003. After presenting the plan, the Department and the System shall report on the implementation of the plan to the Joint Legislative Commission on Governmental Operations and to the Chairs of the Appropriations Committees of the Senate and the House of Representatives on a quarterly basis. The plan shall be fully implemented by June 30, 2004.

Requested by: Representatives Jeffus, Walend

PUBLICATION OF NORTH CAROLINA MANUAL

SECTION 24.2. The Department of the Secretary of State shall support the publication of the North Carolina Manual with receipts from sales of the manual when budgeting for the 2005-2007 biennium. The Department shall consider the feasibility of providing the manual by Internet.

PART XXV. STATE BOARD OF ELECTIONS

Requested by: Representatives Jeffus, Walend

HELP AMERICA VOTE ACT MATCHING FUNDS

SECTION 25.1.(a) Of the funds appropriated to the State Board of Elections for the 2003-2004 fiscal year by Section 2.1 of this act:

(1) The sum of $1,791,936 is transferred to a Reserve Fund to meet the Maintenance of Effort requirements of section 254(a)(7) of the Help America Vote Act, Public Law 107-252.

(2) The sum of $1,665,650 currently appropriated to Fund 1100 Administration for the SEIMS RCC is transferred to a Reserve Fund for the State Board of Elections.

(3) The sum of $2,524,400 is transferred to the Election Fund to meet the five percent (5%) matching requirement of Title II Help America Vote Act, Public Law 107-252. It is estimated that the amount needed for the 2003-2004 fiscal year will be $1,130,000. The funds shall be available only for matching federal funds under HAVA for the 2003-2004, 2004-2005, and 2005-2006 fiscal years. The money shall only be expended as federal funds are available to match, and if the amount available to the State is less than projected, the unexpended remainder of the $2,524,400 shall revert to the General Fund on the earlier of:

a. June 30, 2006; or

b. A determination by the Office of State Budget and Management that the unexpended remainder will not be needed.

SECTION 25.1.(b) The 107th Congress established the Help America Vote Act (HAVA) as Public Law 107-252 establishing a program to assist in the administration of Federal elections and provide assistance with the administration of certain Federal elections laws and programs; establish minimum election administration standards for States and units of local government with the responsibility for the administration of Federal elections. In HAVA, Congress authorized appropriations for elections assistance in the form of a matching grant program (Title II of HAVA, Requirements Payments) for which states are required as one condition of the Election Assistance Requirements Payments to match federal allocations with a five percent (5%) match of State dollars. The federal government has additional requirements, including a required state plan and a stipulation for each participating state to implement

the Maintenance of Effort (MOE) requirements of Title II, section 254(a)(7) of HAVA. The MOE requires that the state maintain the expenditures of the state for activities funded by the payment at a level that is not less than the level of such expenditures maintained by the state for the fiscal year ending prior to November 2000. Congress authorized up to $1.4 billion for Requirements Payments, and $810 million for Title II requirements grants was funded for fiscal year 2003. Title II requirements funding has not been passed by Congress for fiscal years 2004-2005 and 2005-2006 but is currently proposed at $500 million for each year.

Based upon the 2003 approved funding, it is estimated that North Carolina will receive $22.6 million of the Title II funding if North Carolina meets all the conditions of the Election Assistance program, including not only the five percent (5%) state match but also maintenance of its expenditure level on HAVA activities at the expense level the State Board of Elections had in State fiscal year 1999-2000. Actual expenditures for the State Elections Information Management System (SEIMS), which is a qualified HAVA activity, in 1999-2000 was three million four hundred fifty-seven thousand five hundred eighty-five dollars and six cents ($3,457,585.06). The authorized expenditures on SEIMS in 2002-2003 by the State Board of Elections is one million six hundred sixty-five thousand six hundred fifty dollars ($1,665,650). The difference in expenditure levels is one million seven hundred ninety-one thousand nine hundred thirty-five dollars and six cents ($1,791,935.06). To meet HAVA's Title II MOE requirement, North Carolina has to appropriate from its General Fund to a Reserve on a recurring basis (or for as long as Congress requires the MOE as a condition of states' being eligible to receive Requirements Payments), the amount of three million four hundred fifty-seven thousand five hundred eighty-five dollars and six cents ($3,457,585.06) annually.

For the State to meet its obligatory five percent (5%) match for HAVA's Title II Requirements Payment, North Carolina has to match twenty-two million six hundred thousand dollars ($22,600,000) estimated federal funds in 2003-2004; thirteen million nine hundred forty-four thousand dollars ($13,944,000) estimated federal funds in both 2004-2005 and 2005-2006. The State's match is one million one hundred thirty thousand dollars ($1,130,000) in 2003-2004; six hundred ninety-seven thousand two hundred dollars ($697,200) in 2004-2005 and six hundred ninety-seven thousand two hundred dollars ($697,200) in 2005-2006. The nonrecurring match total required from the General Fund is two million five hundred twenty-four thousand four hundred dollars ($2,524,400).

SECTION 25.1.(c) There is established a special fund to be known as the Election Fund. All funds received for implementation of the Help America Vote Act of 2002, Public Law 107-252, shall be deposited in that fund. The State Board of Elections shall use funds in the Election Fund only to implement HAVA.

SECTION 25.1.(d) G.S. 147-69.2(a) is amended by adding a new subdivision to read:

"(17d) The Election Fund."

SECTION 25.1.(e) Subsections (c) and (d) of this section are effective when this act becomes law.

PART XXVI. OFFICE OF STATE BUDGET AND MANAGEMENT

Requested by: Representatives Jeffus, Walend

NC HUMANITIES COUNCIL

SECTION 26.1. The North Carolina Humanities Council shall:

(1) By January 15, 2004, and more frequently as requested, report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division the following information:

a. State fiscal year 2002-2003 program activities, objectives, and accomplishments;

b. State fiscal year 2002-2003 itemized expenditures and fund sources;
c. State fiscal year 2003-2004 planned activities, objectives, and accomplishments including actual results through December 31, 2003; and
d. State fiscal year 2003-2004 estimated itemized expenditures and fund sources including actual expenditures and fund sources through December 31, 2003.

(2) Provide to the Fiscal Research Division a copy of the organization's annual audited financial statement within 30 days of issuance of the statement.

PART XXVII. OFFICE OF THE STATE CONTROLLER

Requested by: Representatives Jeffus, Walend

OVERPAYMENTS AUDIT

SECTION 27.1.(a) During the 2003-2004 fiscal year, receipts generated by the collection of inadvertent overpayments by State agencies to vendors as a result of pricing errors, neglected rebates and discounts, miscalculated freight charges, unclaimed refunds, erroneously paid excise taxes, and related errors as required by G.S. 147-86.22(c) are to be deposited in the Special Reserve Account 24172.

SECTION 27.1.(b) For the 2003-2004 fiscal year, two hundred thousand dollars ($200,000) of the funds transferred from the Special Reserve Account 24172 shall be used by the Office of the State Controller for data processing, debt collection, or e-commerce costs.

SECTION 27.1.(c) All funds available in the Special Reserve Account 24172 on July 1, 2003, are transferred to the General Fund on that date.

SECTION 27.1.(d) Any unobligated funds in the Special Reserve Account 24172 that are realized above the allowance in subsection (b) of this section are subject to appropriation by the General Assembly in the 2004 Regular Session of the 2003 General Assembly.

SECTION 27.1.(e) The State Controller shall report quarterly to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on the revenue deposited into the Special Reserve Account and the disbursement of that revenue.

PART XXVIII. DEPARTMENT OF THE STATE TREASURER

Requested by: Representatives Jeffus, Walend

AMENDING FUNDING FOR RETIREMENT AND ESCHEAT OPERATIONS

SECTION 28.1.(a) G.S. 116B-6(h) reads as rewritten:

"(h) Expenditures. – The Treasurer may expend the funds in the Escheat Fund, other than funds in the Escheat Account, for the payment of claims for refunds to owners, holders and claimants under G.S. 116B-4; for the payment of costs of maintenance and upkeep of abandoned or escheated property; costs of preparing lists of names of owners of abandoned property to be furnished to clerks of superior court; costs of notice and publication; costs of appraisals; fees of persons employed pursuant to G.S. 116B-8 costs involved in determining whether a decedent died without heirs; costs of a title search of real property that has escheated; and costs of auction or sale under this Chapter. All other costs, including salaries of personnel, necessary to carry out the duties of the Treasurer under this Chapter, shall be ~~appropriated from the funds of the Escheat Fund pursuant to the provisions of Article 1, Chapter 143 of the General Statutes.~~covered by an appropriation to the State Treasurer for this purpose in the Current Appropriations Act. The Escheat Fund shall deposit as nontax revenue to the

General Fund the amount appropriated from the General Fund to cover the cost of the administration, management, and operations of the Escheats program."

SECTION 28.1.(b) G.S. 135-6(g) reads as rewritten:

"(g) Officers and Other Employees; Salaries and Expenses. – The State Treasurer shall be ex officio chairman of the Board of Trustees. The Board of Trustees shall, by a majority vote of all the members, appoint a director, who may be, but need not be, one of its members. The salary of the director of the Retirement System is subject to the provisions of Chapter 126 of the General Statutes of North Carolina. The Board of Trustees shall engage such actuarial and other service as shall be required to transact the business of the Retirement System. The compensation of all persons, other than the director, engaged by the Board of Trustees, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall approve, subject to the approval of the Director of the Budget. The cost of the administration, management, and operation of the Retirement System shall be covered by an appropriation to the State Treasurer in the Current Appropriations Act. The Retirement System shall deposit its apportioned share of the cost to the General Fund as nontax revenue."

SECTION 28.1.(c) G.S. 128-28(h) reads as rewritten:

"(h) Officers and Other Employees, Salaries and Expenses. – The Board of Trustees shall elect from its membership a chairman, and shall, by a majority vote of all the members, appoint a director, who may be, but need not be, one of its members. The Board of Trustees shall engage such actuarial and other service as shall be required to transact the business of the Retirement System. The compensation of all persons engaged by the Board of Trustees, and all other expenses of the Board necessary for the operation of the Retirement System, shall be paid at such rates and in such amounts as the Board of Trustees shall approve. The cost of the administration, management, and operation of the Retirement System shall be covered by an appropriation to the State Treasurer in the Current Appropriations Act. The Retirement System shall deposit its apportioned share of the cost to the General Fund as nontax revenue."

SECTION 28.1.(d) Subsections (a) through (c) of this section become effective July 1, 2003.

Requested by: Representatives Jeffus, Walend

STATE TREASURER SUBJECT TO EXECUTIVE BUDGET ACT

SECTION 28.2.(a) G.S. 147-68(e) reads as rewritten:

"(e) The State ~~Treasurer~~ Treasurer, in carrying out the responsibilities of this section, shall ~~except as provided in G.S. 143-25~~ be independent of any fiscal control exercise by the Director of the Budget or the Department of Administration and shall be responsible to the Advisory Budget Commission, the General Assembly and the people of North Carolina for the efficient and faithful exercise of the responsibilities of his office. The State Treasurer, for all other purposes, is subject to Article 1 of Chapter 143 of the General Statutes."

SECTION 28.2.(b) Subsection (a) of this section becomes effective July 1, 2003.

PART XXIX. DEPARTMENT OF TRANSPORTATION

Requested by: Representatives Cole, Gillespie

CASH-FLOW HIGHWAY FUND AND HIGHWAY TRUST FUND APPROPRIATIONS

SECTION 29.1.(a). The General Assembly authorizes and certifies anticipated revenues of the Highway Fund as follows:

For Fiscal Year 2005-2006	$1,409.2 Million
For Fiscal Year 2006-2007	$1,458.9 Million
For Fiscal Year 2007-2008	$1,509.4 Million

For Fiscal Year 2008-2009 $1,558.8 Million

SECTION 29.1.(b) The General Assembly authorizes and certifies anticipated revenues of the Highway Trust Fund as follows:

For Fiscal Year 2005-2006	$1,096.3 Million
For Fiscal Year 2006-2007	$1,148.0 Million
For Fiscal Year 2007-2008	$1,202.6 Million
For Fiscal Year 2008-2009	$1,252.4 Million

Requested by: Representatives Cole, Gillespie

SMALL URBAN CONTINGENCY FUNDS

SECTION 29.2. Of the funds appropriated in this act to the Department of Transportation:

(1) Fourteen million dollars ($14,000,000) shall be allocated in each fiscal year for small urban construction projects. These funds shall be allocated equally in each fiscal year of the biennium among the 14 Highway Divisions for the small urban construction program for small construction projects that are located within the area covered by a one-mile radius of the municipal corporate limits.

(2) Ten million dollars ($10,000,000) in fiscal year 2003-2004 and ten million dollars ($10,000,000) in fiscal year 2004-2005 shall be used statewide for rural or small urban highway improvements and related transportation enhancements to public roads and public facilities, industrial access roads, and spot safety projects as approved by the Secretary of Transportation.

None of these funds used for rural secondary road construction are subject to the county allocation formulas in G.S. 136-44.5(b) and (c).

These funds are not subject to G.S. 136-44.7.

The Department of Transportation shall report to the members of the General Assembly on projects funded pursuant to this section in each member's district prior to the Board of Transportation's action. The Department shall make a quarterly comprehensive report on the use of these funds to the Joint Legislative Transportation Oversight Committee and the Fiscal Research Division.

Requested by: Representatives Cole, Gillespie

DEPARTMENT OF TRANSPORTATION PRODUCTIVITY PILOT PROGRAMS

SECTION 29.3. The Department of Transportation may establish two pilot programs to test incentive pay for employees as a means for increasing efficiency and productivity.

One of the pilot programs shall involve the highway resurfacing program using road oil. Up to one-fourth of one percent (0.25%) of the budget allocation for this program may be used to provide employee incentive payments.

The other pilot project may be selected by the Department of Transportation, and up to twenty-five thousand dollars ($25,000) may be used from existing budgets for incentives.

Incentive payments shall be based on quantifiable measures and production schedules determined prior to the implementation of the pilot programs that shall last no more than two years.

The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on the pilot programs at least 30 days prior to their implementation.

Requested by: Representatives Cole, Gillespie

REDUCE HIGHWAY TRUST FUND ADMINISTRATION ALLOCATION

SECTION 29.4. G.S. 136-176(b) reads as rewritten:

"(b) Funds in the Trust Fund are annually appropriated to the Department of Transportation to be allocated and used as provided in this subsection. A sum, not to exceed ~~four and one-half percent (4.5%)~~ three and eight-tenths percent (3.8%) of the amount of revenue deposited in the Trust Fund under subdivisions (a)(1), (2), and (3) of this section, may be used each fiscal year by the Department for expenses to administer the Trust Fund. Operation and project development costs of the North Carolina Turnpike Authority are eligible administrative expenses under this subsection. Any funds allocated to the Authority pursuant to this subsection shall be repaid by the Authority from its toll revenue as soon as possible, subject to any restrictions included in the agreements entered into by the Authority in connection with the issuance of the Authority's revenue bonds. Beginning one year after the Authority begins collecting tolls on a completed Turnpike Project, interest shall accrue on any unpaid balance owed to the Highway Trust Fund at a rate equal to the State Treasurer's average annual yield on its investment of Highway Trust Fund funds pursuant to G.S. 147-6.1. Interest earned on the unpaid balance shall be deposited in the Highway Trust Fund upon repayment. The rest of the funds in the Trust Fund shall be allocated and used as follows:

(1) Sixty-one and ninety-five hundredths percent (61.95%) to plan, design, and construct the projects of the Intrastate System described in G.S. 136-179 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these projects.

(2) Twenty-five and five hundredths percent (25.05%) to plan, design, and construct the urban loops described in G.S. 136-180 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to these urban loops.

(3) Six and one-half percent (6.5%) to supplement the appropriation to cities for city streets under G.S. 136-181.

(4) Six and one-half percent (6.5%) for secondary road construction as provided in G.S. 136-182 and to pay debt service on highway bonds and notes that are issued under the State Highway Bond Act of 1996 and whose proceeds are applied to secondary road construction.

The Department must administer funds allocated under subdivisions (1), (2), and (4) of this subsection in a manner that ensures that sufficient funds are available to make the debt service payments on bonds issued under the State Highway Bond Act of 1996 as they become due."

Requested by: Representatives Cole, Gillespie

USE OF EXCESS OVERWEIGHT/OVERSIZE FUNDS

SECTION 29.5. Funds generated by overweight/oversize permit fees in excess of the cost of administering the program, as determined pursuant to G.S. 20-119(e), shall be used for highway and bridge maintenance required as a result of damages caused from overweight/oversize loads.

Requested by: Representatives Cole, Gillespie

ENVIRONMENTAL PERMITS ON DEPARTMENT OF TRANSPORTATION CONSTRUCTION PROJECTS

SECTION 29.6. Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-44.7B. Permit issuance by Department of Environment and Natural Resources transportation construction projects.**

(a) Once the Department of Environment and Natural Resources or any agency within the Department of Environment and Natural Resources has received a complete application for a permit that is required for a transportation construction project to be

undertaken by or on behalf of the Department of Transportation, the Department of Environment and Natural Resources shall expedite the review of the application and shall issue or deny the permit within 90 days of receipt of the submission. All permits not denied within that time limit shall be deemed approved. The Secretary of Environment and Natural Resources and the Secretary of Transportation shall jointly decide any question as to whether an application for a permit is complete. If the Secretary of Environment and Natural Resources and the Secretary of Transportation are unable to jointly decide any question, the Governor shall decide the question.

(b) Once the Department of Environment and Natural Resources or any agency within the Department of Environment and Natural Resources has issued a permit that is required for a transportation construction project to be undertaken by or on behalf of the Department of Transportation, that permit shall remain in effect until the project is completed. The permit shall not expire and shall not be modified or canceled for any reason, including a subsequent change in federal law or regulations or in State law or rules, unless at least one of the following occurs:

(1) The modification or cancellation is requested by the Department of Transportation.

(2) The modification or cancellation is clearly required by a change in federal law or regulations and a failure to modify or cancel the permit by the Department of Environment and Natural Resources would result in a loss of federal program delegation or a significant reduction in the availability of federal funds to the Department of Environment and Natural Resources or to the Department of Transportation.

(3) The modification or cancellation is clearly required by a change in State law as a result of an act of the General Assembly that includes a statement that the General Assembly specifically intends the change in State law to apply to ongoing transportation construction projects.

(4) The modification or cancellation is ordered by a court of competent jurisdiction.

(5) The nature or scope of the transportation construction project is significantly expanded or otherwise altered."

Requested by: Representatives Cole, Gillespie

DRIVER EDUCATION PRIVATIZATION

SECTION 29.7. It is the intention of the General Assembly that all State-funded driver education programs shall be privatized statewide by July 1, 2004. The State Board of Education shall report to the Joint Legislative Education Oversight Committee and the Joint Legislative Transportation Oversight Committee by November 30, 2003, on proposals for statewide privatization and cost reduction.

Requested by: Representatives Cole, Gillespie

DEPARTMENT OF TRANSPORTATION GENERAL ADMINISTRATION REDUCTIONS.

SECTION 29.8. The Department of Transportation shall reduce expenditures for General Administration by one million eight hundred thousand dollars ($1,800,000) during fiscal year 2003-2004 and by three million six hundred thousand dollars ($3,600,000) in fiscal year 2004-2005. At least seventy-five percent (75%) of the savings shall be achieved through reductions in personnel. Savings shall be used for maintenance. The Department of Transportation shall report to the Joint Legislative Transportation Oversight Committee on or before November 30, 2003, on actions it will be taking to implement the provisions of this section.

PART XXX. SALARIES AND EMPLOYEE BENEFITS

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

GOVERNOR AND COUNCIL OF STATE

SECTION 30.1.(a) Effective July 1, 2003, G.S. 147-11(a) reads as rewritten:

"(a) The salary of the Governor shall be ~~one hundred eighteen thousand four hundred thirty dollars ($118,430)~~ one hundred twenty thousand three hundred twenty-five dollars ($120,325) annually, payable monthly."

SECTION 30.1.(b) Effective July 1, 2003, the annual salaries for the members of the Council of State, payable monthly, for the 2003-2004 and 2004-2005 fiscal years are:

Council of State	Annual Salary
Lieutenant Governor	$ 106,195
Attorney General	106,195
Secretary of State	106,195
State Treasurer	106,195
State Auditor	106,195
Superintendent of Public Instruction	106,195
Agriculture Commissioner	106,195
Insurance Commissioner	106,195
Labor Commissioner	106,195

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

NONELECTED DEPARTMENT HEADS/SALARY INCREASES

SECTION 30.2. In accordance with G.S. 143B-9, the maximum annual salaries, payable monthly, for the nonelected heads of the principal State departments for the 2003-2004 and 2004-2005 fiscal years are:

Nonelected Department Heads	Annual Salary
Secretary of Administration	$ 103,753
Secretary of Correction	103,753
Secretary of Crime Control and Public Safety	103,753
Secretary of Cultural Resources	103,753
Secretary of Commerce	103,753
Secretary of Environment and Natural Resources	103,753
Secretary of Health and Human Services	103,753
Secretary of Juvenile Justice and Delinquency Prevention	103,753
Secretary of Revenue	103,753
Secretary of Transportation	103,753

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CERTAIN EXECUTIVE BRANCH OFFICIALS/SALARY INCREASES

SECTION 30.3. Effective July 1, 2003, the annual salaries, payable monthly, for the 2003-2004 and 2004-2005 fiscal years for the following executive branch officials are:

Executive Branch Officials	Annual Salary
Chairman, Alcoholic Beverage Control Commission	$ 94,433
State Controller	132,159
Commissioner of Motor Vehicles	94,433
Commissioner of Banks	106,195
Chairman, Employment Security Commission	131,992
State Personnel Director	103,753
Chairman, Parole Commission	86,229
Members of the Parole Commission	79,610

Chairman, Utilities Commission	118,267
Members of the Utilities Commission	106,195
Executive Director, Agency for Public Telecommunications	79,610
General Manager, Ports Railway Commission	71,887
Director, Museum of Art	96,764
Executive Director, North Carolina Housing Finance Agency	116,872
Executive Director, North Carolina Agricultural Finance Authority	91,918
State Chief Information Officer	132,080

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

JUDICIAL BRANCH OFFICIALS/SALARY INCREASE

SECTION 30.4.(a) Effective July 1, 2003, the annual salaries, payable monthly, for specified judicial branch officials for the 2003-2004 and 2004-2005 fiscal years are:

Judicial Branch Officials	Annual Salary
Chief Justice, Supreme Court	$ 120,325
Associate Justice, Supreme Court	117,181
Chief Judge, Court of Appeals	114,251
Judge, Court of Appeals	112,298
Judge, Senior Regular Resident Superior Court	109,247
Judge, Superior Court	106,195
Chief Judge, District Court	96,431
Judge, District Court	93,380
Administrative Officer of the Courts	109,247
Assistant Administrative Officer of the Courts	99,787

SECTION 30.4.(b) The district attorney or public defender of a judicial district, with the approval of the Administrative Officer of the Courts or the Commission on Indigent Defense Services, respectively, shall set the salaries of assistant district attorneys or assistant public defenders, respectively, in that district such that the average salaries of assistant district attorneys or assistant public defenders in that district do not exceed sixty-one thousand one hundred fifty-four dollars ($61,154) and the minimum salary of any assistant district attorney or assistant public defender is at least thirty-one thousand five hundred thirty-two dollars ($31,532) effective July 1, 2003.

SECTION 30.4.(c) Effective July 1, 2003, the salaries in effect for the 2003-2004 and 2004-2005 fiscal years for permanent, full-time employees of the Judicial Department, except for those whose salaries are itemized in this Part, shall be increased by one and six-tenths percent (1.6%)

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CLERK OF SUPERIOR COURT/SALARY INCREASES

SECTION 30.5. Effective July 1, 2003, G.S. 7A-101(a) reads as rewritten:

"(a) The clerk of superior court is a full-time employee of the State and shall receive an annual salary, payable in equal monthly installments, based on the population of the county as determined in subsection (a1) of this section, according to the following schedule:

Population	Annual Salary
Less than 100,000	~~$69,911~~$71,030
100,000 to 149,999	~~78,452~~79,707
150,000 to 249,999	~~86,994~~88,386
250,000 and above	~~95,537.~~97,066.

The salary schedule in this subsection is intended to represent the following approximate percentage of the salary of a chief district court judge:

Population	Annual Salary
Less than 100,000	73%
100,000 to 149,999	82%
150,000 to 249,999	91%
250,000 and above	100%.

When a county changes from one population group to another, the salary of the clerk shall be changed, on July 1 of the fiscal year for which the change is reported, to the salary appropriate for the new population group, except that the salary of an incumbent clerk shall not be decreased by any change in population group during his continuance in office."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

ASSISTANT AND DEPUTY CLERKS OF COURT/SALARY INCREASES/CLERK OF COURT PERSONNEL FLEXIBILITY

SECTION 30.6. Effective July 1, 2003, G.S. 7A-102 reads as rewritten:

"**§ 7A-102. Assistant and deputy clerks; appointment; number; salaries; duties.**

(a) The numbers and salaries of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court shall be determined by the Administrative Officer of the Courts after consultation with the clerk concerned. All personnel in the clerk's office are employees of the State. The clerk appoints the assistants, deputies, and other employees in ~~his~~ the clerk's office to serve at his or her pleasure. Assistant and deputy clerks shall take the oath of office prescribed for clerks of superior court, conformed to the office of assistant or deputy clerk, as the case may be. ~~The~~ Except as provided by subsection (c2) of this section, the job classifications and related salaries of each employee within the office of each superior court clerk shall be subject to the approval of the Administrative Officer of the Courts after consultation with each clerk concerned and shall be subject to the availability of funds appropriated for that purpose by the General Assembly.

(b) An assistant clerk is authorized to perform all the duties and functions of the office of clerk of superior court, and any act of an assistant clerk is entitled to the same faith and credit as that of the clerk. A deputy clerk is authorized to certify the existence and correctness of any record in the clerk's office, to take the proofs and examinations of the witnesses touching the execution of a will as required by G.S. 31-17, and to perform any other ministerial act which the clerk may be authorized and empowered to do, in his own name and without reciting the name of his principal. The clerk is responsible for the acts of his assistants and deputies. With the consent of the clerk of superior court of each county and the consent of the presiding judge in any proceeding, an assistant or deputy clerk is authorized to perform all the duties and functions of the office of the clerk of superior court in another county in any proceeding in the district or superior court that has been transferred to that county from the county in which the assistant or deputy clerk is employed.

(c) Notwithstanding the provisions of subsection (a), the Administrative Officer of the Courts shall establish an incremental salary plan for assistant clerks and for deputy clerks based on a series of salary steps corresponding to the steps contained in the Salary Plan for State Employees adopted by the Office of State Personnel, subject to a minimum and a maximum annual salary as set forth below. On and after July 1, 1985, each assistant clerk and each deputy clerk shall be eligible for an annual step increase in his salary plan based on satisfactory job performance as determined by each clerk. Notwithstanding the foregoing, if an assistant or deputy clerk's years of service in the office of superior court clerk would warrant an annual salary greater than the salary first established under this section, that assistant or deputy clerk shall be eligible on and after

July 1, 1984, for an annual step increase in his salary plan. Furthermore, on and after July 1, 1985, that assistant or deputy clerk shall be eligible for an increase of two steps in his salary plan, and shall remain eligible for a two-step increase each year as recommended by each clerk until that assistant or deputy clerk's annual salary corresponds to his number of years of service. Any person covered by this subsection who would not receive a step increase in fiscal year 1995-96 because that person is at the top of the salary range as it existed for fiscal year 1994-95 shall receive a salary increase to the maximum annual salary provided by subsection (c1) of this section.

(c1) A full-time assistant clerk or a full-time deputy clerk, and up to one full-time deputy clerk serving as head bookkeeper per county, shall be paid an annual salary subject to the following minimum and maximum rates:

Assistant Clerks and Head Bookkeeper	Annual Salary
Minimum	~~$26,515~~$26,939
Maximum	~~46,464~~47,207

Deputy Clerks	Annual Salary
Minimum	~~$22,565~~$22,926
Maximum	~~35,934.~~36,508.

(c2) The clerk of superior court may appoint assistant clerks, deputy clerks, and a head bookkeeper and set their salaries above the minimum rate established for the positions by subsection (c1) of this section if, in the clerk's discretion, (i) the needs of the clerk's office would be best served by an appointment above the minimum rate, (ii) the appointee's skills and experience support the higher rate, and (iii) the Administrative Office of the Courts certifies that there are sufficient funds available.

(d) Full-time assistant clerks, licensed to practice law in North Carolina, who are employed in the office of superior court clerk on and after July 1, 1984, and full-time assistant clerks possessing a masters degree in business administration, public administration, accounting, or other similar discipline from an accredited college or university who are employed in the office of superior court clerk on and after July 1, 1997, are authorized an annual salary of not less than three-fourths of the maximum annual salary established for assistant clerks; the clerk of superior court, with the approval of the Administrative Office of the Courts, may establish a higher annual salary but that salary shall not be higher than the maximum annual salary established for assistant clerks. Full-time assistant clerks, holding a law degree from an accredited law school, who are employed in the office of superior court clerk on and after July 1, 1984, are authorized an annual salary of not less than two-thirds of the maximum annual salary established for assistant clerks; the clerk of superior court, with the approval of the Administrative Office of the Courts, may establish a higher annual salary, but the entry-level salary may not be more than three-fourths of the maximum annual salary established for assistant clerks, and in no event may be higher than the maximum annual salary established for assistant clerks. ~~The~~ Except as provided by subsection (c2) of this section, the entry-level annual salary for all other assistant and deputy clerks employed on and after July 1, 1984, shall be at the minimum rates as herein established.

(e) A clerk of superior court may apply to the Director of the Administrative Office of the Courts to enter into contracts with local governments for the provision by the State of services of assistant clerks, deputy clerks, and other employees in the office of each clerk of superior court pursuant to G.S. 153A-212.1 or G.S. 160A-289.1.

(f) The Director of the Administrative Office of the Courts may provide assistance requested pursuant to subsection (e) of this section only upon a showing by the senior resident superior court judge, supported by facts, that the overwhelming public interest warrants the use of additional resources for the speedy disposition of cases involving drug offenses, domestic violence, or other offenses involving a threat to public safety.

(g) The terms of any contract entered into with local governments pursuant to subsection (e) of this section shall be fixed by the Director of the Administrative Office of the Courts in each case. Nothing in this section shall be construed to obligate the General Assembly to make any appropriation to implement the provisions of this section or to obligate the Administrative Office of the Courts to provide the administrative costs of establishing or maintaining the positions or services provided for under this section. Further, nothing in this section shall be construed to obligate the Administrative Office of the Courts to maintain positions or services initially provided for under this section."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

MAGISTRATES/SALARY INCREASES

SECTION 30.7. Effective July 1, 2003, G.S. 7A-171.1 reads as rewritten:

"(a) The Administrative Officer of the Courts, after consultation with the chief district judge and pursuant to the following provisions, shall set an annual salary for each magistrate.

(1) A full-time magistrate shall be paid the annual salary indicated in the table set out in this subdivision. A full-time magistrate is a magistrate who is assigned to work an average of not less than 40 hours a week during the term of office. The Administrative Officer of the Courts shall designate whether a magistrate is full-time. Initial appointment shall be at the entry rate. A magistrate's salary shall increase to the next step every two years on the anniversary of the date the magistrate was originally appointed for increases to Steps 1 through 3, and every four years on the anniversary of the date the magistrate was originally appointed for increases to Steps 4 through 6.

Table of Salaries of Full-Time Magistrates

Step Level	Annual Salary
Entry Rate	~~$26,889~~$27,319
Step 1	~~29,525~~29,997
Step 2	~~32,393~~32,911
Step 3	~~35,523~~36,091
Step 4	~~38,952~~39,575
Step 5	~~42,721~~43,405
Step 6	~~46,864.~~47,614.

(2) A part-time magistrate is a magistrate who is assigned to work an average of less than 40 hours of work a week during the term, except that no magistrate shall be assigned an average of less than 10 hours of work a week during the term. A part-time magistrate is included, in accordance with G.S. 7A-170, under the provisions of G.S. 135-1(10) and G.S. 135-40.2(a). The Administrative Officer of the Courts designates whether a magistrate is a part-time magistrate. A part-time magistrate shall receive an annual salary based on the following formula: The average number of hours a week that a part-time magistrate is assigned work during the term shall be multiplied by the annual salary payable to a full-time magistrate who has the same number of years of service prior to the beginning of that term as does the part-time magistrate and the product of that multiplication shall be divided by the number 40. The quotient shall be the annual salary payable to that part-time magistrate.

(3) Notwithstanding any other provision of this subsection, an individual who, when initially appointed as a full-time magistrate, is licensed to practice law in North Carolina, shall receive the annual salary provided in the Table in subdivision (1) of this subsection for Step 4. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. An individual who, when initially appointed as a part-time magistrate, is licensed to practice law in North Carolina, shall be paid an annual salary based on that for Step 4 and determined according to the formula in subdivision (2) of this subsection. This magistrate's salary shall increase to the next step every four years on the anniversary of the date the magistrate was originally appointed. The salary of a full-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving a salary at a level lower than Step 4 shall be adjusted to Step 4 and, thereafter, shall advance in accordance with the Table's schedule. The salary of a part-time magistrate who acquires a license to practice law in North Carolina while holding the office of magistrate and who at the time of acquiring the license is receiving an annual salary as determined by subdivision (2) of this subsection based on a salary level lower than Step 4 shall be adjusted to a salary based on Step 4 in the Table and, thereafter, shall advance in accordance with the provision in subdivision (2) of this subsection.

(a1) Notwithstanding subsection (a) of this section, the following salary provisions apply to individuals who were serving as magistrates on June 30, 1994:

(1) The salaries of magistrates who on June 30, 1994, were paid at a salary level of less than five years of service under the table in effect that date shall be as follows:

Less than 1 year of service	~~$21,325~~$21,666
1 or more but less than 3 years of service	~~22,389~~22,747
3 or more but less than 5 years of service	~~24,530.~~24,922.

Upon completion of five years of service, those magistrates shall receive the salary set as the Entry Rate in the table in subsection (a).

(2) The salaries of magistrates who on June 30, 1994, were paid at a salary level of five or more years of service shall be based on the rates set out in subsection (a) as follows:

Salary Level on June 30, 1994	Salary Level on July 1, 1994
5 or more but less than 7 years of service	Entry Rate
7 or more but less than 9 years of service	Step 1
9 or more but less than 11 years of service	Step 2
11 or more years of service	Step 3

Thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(3) The salaries of magistrates who are licensed to practice law in North Carolina shall be adjusted to the annual salary provided in the table in subsection (a) as Step 4, and, thereafter, their salaries shall be set in accordance with the provisions in subsection (a).

(4) The salaries of "part-time magistrates" shall be set under the formula set out in subdivision (2) of subsection (a) but according to the rates set out in this subsection.

(a2) The Administrative Officer of the Courts shall provide magistrates with longevity pay at the same rates as are provided by the State to its employees subject to the State Personnel Act.

(b) Notwithstanding G.S. 138-6, a magistrate may not be reimbursed by the State for travel expenses incurred on official business within the county in which the magistrate resides."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

GENERAL ASSEMBLY PRINCIPAL CLERKS

SECTION 30.8. Effective July 1, 2003, G.S. 120-37(c) reads as rewritten:

"(c) The principal clerks shall be full-time officers. Each principal clerk shall be entitled to other benefits available to permanent legislative employees and shall be paid an annual salary of ~~eighty-eight thousand three hundred and six dollars ($88,306)~~ eighty-nine thousand seven hundred nineteen dollars ($89,719) payable monthly. The Legislative Services Commission shall review the salary of the principal clerks prior to submission of the proposed operating budget of the General Assembly to the Governor and Advisory Budget Commission and shall make appropriate recommendations for changes in those salaries. Any changes enacted by the General Assembly shall be by amendment to this paragraph."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

SERGEANT-AT-ARMS AND READING CLERKS

SECTION 30.9. Effective July 1, 2003, G.S. 120-37(b) reads as rewritten:

"(b) The sergeant-at-arms and the reading clerk in each house shall be paid a salary of ~~two hundred ninety-two dollars ($292.00)~~ two hundred ninety-seven dollars ($297.00) per week plus subsistence at the same daily rate provided for members of the General Assembly, plus mileage at the rate provided for members of the General Assembly for one round trip only from their homes to Raleigh and return. The sergeants-at-arms shall serve during sessions of the General Assembly and at such time prior to the convening of, and subsequent to adjournment or recess of, sessions as may be authorized by the Legislative Services Commission. The reading clerks shall serve during sessions only."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

LEGISLATIVE EMPLOYEES

SECTION 30.10. The Legislative Services Officer shall increase the salaries of nonelected employees of the General Assembly in effect for fiscal year 2002-2003 by one and six-tenths percent (1.6%). Nothing in this act limits any of the provisions of G.S. 120-32.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

COMMUNITY COLLEGES PERSONNEL/SALARY INCREASES

SECTION 30.11. The Director of the Budget shall transfer from the Reserve for Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005, funds to the North Carolina Community College System Office necessary to provide an annual salary increase of one and six-tenths percent (1.6%) including funds for the employer's retirement and social security contributions, commencing July 1, 2003, for all permanent full-time community college institutional personnel supported by State funds.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

UNIVERSITY OF NORTH CAROLINA SYSTEM/EPA SALARY INCREASES

SECTION 30.12.(a) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005, to provide an annual salary increase of one and six-tenths percent (1.6%), including funds for the employer's retirement and social security contributions, commencing July 1, 2003, for all employees of The University of North Carolina, as well as employees other than teachers of the North Carolina School of Science and Mathematics, supported by State funds and whose salaries are exempt from the State Personnel Act (EPA).

SECTION 30.12.(b) The Director of the Budget shall transfer to the Board of Governors of The University of North Carolina sufficient funds from the Reserve for Compensation Increases, created in this act for fiscal years 2003-2004 and 2004-2005, to provide an annual salary increase of one and eighty-one hundredths percent (1.81%), including funds for the employer's retirement and social security contributions, commencing July 1, 2003, for all teaching employees of the North Carolina School of Science and Mathematics supported by State funds and whose salaries are exempt from the State Personnel Act (EPA). These funds shall be allocated to individuals according to the rules adopted by the Board of Trustees of the North Carolina School of Science and Mathematics and may not be used for any purpose other than for salary increases and necessary employer contributions provided by this section.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

MOST STATE EMPLOYEES

SECTION 30.13.(a) The salaries in effect June 30, 2003, of all 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 shall be increased on or after July 1, 2003, unless otherwise provided by this act, by one and six-tenths percent (1.6%).

SECTION 30.13.(b) Except as otherwise provided in this act, the fiscal year 2003-2004 salaries 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 shall be increased by one and six-tenths percent (1.6%), commencing July 1, 2003.

SECTION 30.13.(c) The salaries in effect for fiscal year 2003-2004 for all permanent part-time State employees shall be increased on and after July 1, 2003, by pro rata amounts of the one and six-tenths percent (1.6%) salary increase provided for permanent full-time employees covered under subsection (a) of this section.

SECTION 30.13.(d) The Director of the Budget may allocate out of special operating funds or from other sources of the employing agency, except tax revenues, sufficient funds to allow a salary increase, on and after July 1, 2003, in accordance with subsection (a), (b), or (c) of this section, including funds for the employer's retirement and social security contributions, for the permanent full-time and part-time employees of the agency, provided the employing agency elects to make available the necessary funds.

SECTION 30.13.(e) Within regular Executive Budget Act procedures as limited by this act, all State agencies and departments may increase on an equitable basis the rate of pay of temporary and permanent hourly State employees, subject to availability of funds in the particular agency or department, by pro rata amounts of the one and six-tenths percent (1.6%) salary increase provided for permanent full-time employees covered by the provisions of subsection (a) of this section, commencing July 1, 2003.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

ALL STATE-SUPPORTED PERSONNEL

SECTION 30.14.(a) 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 shall 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.

SECTION 30.14.(b) The granting of the salary increases under this act does not affect the status of eligibility for salary increments for which employees may be eligible unless otherwise required by this act.

SECTION 30.14.(c) The salary increases provided in this act are to be effective July 1, 2003, and do not apply to persons separated from State service due to resignation, dismissal, reduction in force, death, or retirement or whose last workday is prior to July 1, 2003.

Payroll checks issued to employees after July 1, 2003, which represent payment of services provided prior to July 1, 2003, shall not be eligible for salary increases provided for in this act. This subsection shall apply to all employees, subject to or exempt from the State Personnel Act, paid from State funds, including public schools, community colleges, and The University of North Carolina.

SECTION 30.14.(d) The Director of the Budget shall transfer from the Reserve for Compensation Increases in this act for fiscal year 2003-2004 all funds necessary for the salary increases provided by this act, including funds for the employer's retirement and social security contributions.

SECTION 30.14.(e) Nothing in this act authorizes the transfer of funds between the General Fund and the Highway Fund for salary increases.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

STUDY COMPENSATION OF CERTAIN HIGH-LEVEL OFFICERS

SECTION 30.15. The Office of State Personnel (OSP) and the Office of State Budget and Management (OSBM) shall study jointly the relative compensation of members of the Council of State, State department heads, and other high-ranking elected and nonelected public officials whose salaries are set by the General Assembly to determine whether the officers are being compensated at rates in accordance with:

(1) The officer's scope of responsibilities and span of control.
(2) The critical nature of the officer's department, agency, institution, or function.
(3) The relative size of the operations and budget under the officer's direct control.
(4) The required credentials, knowledge, and experience necessary to competently manage the officer's organization or function.

In conducting this study, the OSP and OSBM shall focus on the relative compensation among these various officers to determine the appropriate salary levels for the officers given the factors identified in this section.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

SALARY-RELATED CONTRIBUTIONS/EMPLOYER

SECTION 30.16.(a) Required employer salary-related contributions for employees whose salaries are paid from department, office, institution, or agency receipts shall be paid from the same source as the source of the employees' salary. If an employee's salary is paid in part from the General Fund or Highway Fund and in part from department, office, institution, or agency receipts, required employer salary-related contributions may be paid from the General Fund or Highway Fund only to the extent of the proportionate part paid from the General Fund or Highway Fund in support of the salary of the employee, and the remainder of the employer's requirements shall be paid from the source that supplies the remainder of the employee's salary. The requirements

of this section as to source of payment are also applicable to payments on behalf of the employee for hospital-medical benefits, longevity pay, unemployment compensation, accumulated leave, workers' compensation, severance pay, separation allowances, and applicable disability income benefits.

SECTION 30.16.(b) Effective July 1, 2003, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2003-2004 fiscal year are (i) three and ninety-five hundredths percent (3.95%) - Teachers and State Employees; (ii) eight and ninety-five hundredths percent (8.95%) - State Law Enforcement Officers; (iii) ten and forty-one hundredths percent (10.41%) - University Employees' Optional Retirement System; (iv) ten and forty-one hundredths percent (10.41%) - Community College Optional Retirement Program; (v) fourteen and ninety-seven hundredths percent (14.97%) - Consolidated Judicial Retirement System; and (vi) three and five hundredths percent (3.05%) - Legislative Retirement System. Each of the foregoing contribution rates includes three and five hundredths percent (3.05%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, the Community College Optional Retirement Program, and the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 30.16.(c) Effective July 1, 2004, the State's employer contribution rates budgeted for retirement and related benefits as percentage of covered salaries for the 2004-2005 fiscal year are (i) five and seventy-eight hundredths percent (5.78%) - Teachers and State Employees; (ii) ten and seventy-eight hundredths percent (10.78%) - State Law Enforcement Officers; (iii) ten and forty-one hundredths percent (10.41%) - University Employees' Optional Retirement System; (iv) ten and forty-one hundredths percent (10.41%) - Community College Optional Retirement Program; (v) fourteen and ninety-seven hundredths percent (14.97%) - Consolidated Judicial Retirement System; and (vi) three and five hundredths percent (3.05%) - Legislative Retirement System. Each of the foregoing contribution rates includes three and five hundredths percent (3.05%) for hospital and medical benefits. The rate for Teachers and State Employees, State Law Enforcement Officers, the Community College Optional Retirement Program, and the University Employees' Optional Retirement Program includes fifty-two hundredths percent (0.52%) for the Disability Income Plan. The rates for Teachers and State Employees and State Law Enforcement Officers include sixteen hundredths percent (0.16%) for the Death Benefits Plan. The rate for State Law Enforcement Officers includes five percent (5%) for Supplemental Retirement Income.

SECTION 30.16.(d) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2003-2004 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees - two thousand four hundred seventeen dollars ($2,417), and (ii) non-Medicare-eligible employees and retirees - three thousand one hundred seventy-five dollars ($3,175).

SECTION 30.16.(e) The maximum annual employer contributions, payable monthly, by the State for each covered employee or retiree for the 2004-2005 fiscal year to the Teachers' and State Employees' Comprehensive Major Medical Plan are: (i) Medicare-eligible employees and retirees - two thousand four hundred seventy-eight dollars ($2,478), and (ii) non-Medicare-eligible employees and retirees - three thousand two hundred fifty-six dollars ($3,256).

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

RETIREMENT COLAS

SECTION 30.17.(a) G.S. 135-5 is amended by adding a new subsection to read:

"(lll) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003, in accordance with G.S. 135-5(o). Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003."

SECTION 30.17.(b) G.S. 135-65 is amended by adding a new subsection to read:

"(x) From and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before July 1, 2002, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after July 1, 2002, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between July 1, 2002, and June 30, 2003."

SECTION 30.17.(c) G.S. 120-4.22A is amended by adding a new subsection to read:

"(r) In accordance with subsection (a) of this section, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced on or before January 1, 2003, shall be increased by one and twenty-eight hundredths percent (1.28%) of the allowance payable on June 1, 2003. Furthermore, from and after July 1, 2003, the retirement allowance to or on account of beneficiaries whose retirement commenced after January 1, 2003, but before June 30, 2003, shall be increased by a prorated amount of one and twenty-eight hundredths percent (1.28%) of the allowance payable as determined by the Board of Trustees based upon the number of months that a retirement allowance was paid between January 1, 2003, and June 30, 2003."

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

TRANSFER OF SERVICE IN THE LEGISLATIVE RETIREMENT SYSTEM TO THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM AND THE JUDICIAL RETIREMENT SYSTEM

SECTION 30.18.(a) G.S. 120-4.13 reads as rewritten:

"**§ 120-4.13. Transfer of membership and benefits.**

(a) The Board of Trustees shall set up procedures to transfer membership from the Legislative Retirement Fund to the Retirement System and to recompute benefits paid to retirees of the Legislative Retirement Fund who elect to transfer to the Retirement System.

(b) The accumulated contributions and creditable service of any member whose service as a member of the General Assembly has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-1(13), of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from this Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System to the Teachers' and State Employees' Retirement System, there shall be transferred from the Legislative Retirement System to

the Teachers' and State Employees' Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in the Legislative Retirement System as a result of previous contributions by the employer on behalf of the transferring member.

(c) The accumulated contributions and creditable service of any member whose service as a member of the General Assembly has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-53(11), of the Consolidated Judicial Retirement System for a period of five or more years may, upon application of the member, be transferred from this Retirement System to the Consolidated Judicial Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System to the Consolidated Judicial Retirement System, there shall be transferred from the Legislative Retirement System to the Consolidated Judicial Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in the Legislative Retirement System as a result of previous contributions by the employer on behalf of the transferring member."

SECTION 30.18.(b) G.S. 135-4 reads as rewritten:

"(j2) The creditable service of a member who was a member of the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Legislative Retirement System, and whose accumulated contributions and reserves are transferred from that System to this System, includes service that was creditable in the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, or the Legislative Retirement System, and membership service with those Retirement Systems is membership service with this Retirement System."

SECTION 30.18.(c) Article 1 of Chapter 135 of the General Statutes is amended by adding new section to read:

"**§ 135-18.9 Transfer of members from the Legislative Retirement System or the Consolidated Judicial Retirement System.**

(a) The accumulated contributions, creditable service, and reserves, if any, of a member of the Legislative Retirement System, as provided for in Article 1A of G.S.120, or the Consolidated Judicial Retirement System, as provided for in Article 4 of G.S. 135, who later becomes a member of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from the Legislative Retirement System or the Consolidated Judicial Retirement System. The accumulated contributions, creditable service, and reserves of any member whose service as a member of the Legislative Retirement System or the Consolidated Judicial Retirement System is terminated other than by retirement or death and who later becomes a member of the Teachers' and State Employees' Retirement System may, upon application of the member, be transferred from the Legislative Retirement System or the Consolidated Judicial Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from the Legislative Retirement System or the Consolidated Judicial Retirement System to the Teachers' and State Employees' Retirement System, the accumulated contributions of each member credited in the annuity savings fund in the Legislative Retirement System or the Consolidated Judicial Retirement System shall be transferred and credited to the annuity savings fund in the Teachers' and State Employees' Retirement System.

(b) The Board of Trustees shall effect such rules as it may deem necessary to administer the preceding subsection and to prevent any duplication of service credits or benefits that might otherwise occur."

SECTION 30.18.(d) G.S. 135-70 is amended by adding a new subsection to read:

"(a1) The accumulated contributions and creditable service of any member whose service as a member of this Retirement System has been or is terminated other than by retirement or death and who, while still a member of this Retirement System, became or becomes a member, as defined in G.S. 135-1(13), of the Teachers' and State Employees' Retirement System for a period of five or more years may, upon application of the member, be transferred from this Retirement System to the Teachers' and State Employees' Retirement System. In order to effect the transfer of a member's creditable service from this Retirement System to the Teachers' and State Employees' Retirement System, there shall be transferred from this Retirement System to the Teachers' and State Employees' Retirement System the sum of (i) the accumulated contributions of the member credited in the annuity savings fund and (ii) the amount of reserve held in this Retirement System as a result of previous contributions by the employer on behalf of the transferring member."

SECTION 30.18.(e) G.S. 135-70.1 reads as rewritten:

"**§ 135-70.1. Transfer of members from the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System.~~ System, or the Legislative Retirement System.**

(a) The accumulated contributions, creditable service, and reserves, if any, of a former teacher or employee, as defined in G.S. 135-1(25), 135-1(10), and 128-21(10), respectively, or a former member of the General Assembly, who is a member of the Consolidated Judicial Retirement System for a period of five or more years may, upon application of the member, be transferred from the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System to the Consolidated Judicial Retirement System. The accumulated contributions, creditable service, and reserves of any member whose service as a teacher or employee or member of the General Assembly is terminated other than by retirement or death and who becomes a member of the Consolidated Judicial Retirement System may, upon application of the member, be transferred from the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System to the Consolidated Judicial Retirement System. In order to effect the transfer of a member's creditable service from the Local Governmental Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System, to the Consolidated Judicial Retirement System, the accumulated contributions of each member credited in the annuity savings fund in the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System shall be transferred and credited to the annuity savings fund in the Consolidated Judicial Retirement System.

(b) The Board of Trustees shall effect such rules as it may deem necessary to administer the preceding subsection and to prevent any duplication of service credits or benefits that might otherwise occur."

SECTION 30.18.(f) G.S. 135-56(f) reads as rewritten:

"(f) The creditable service of a member who was a member of the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement ~~System~~ System, or the Legislative Retirement System and whose accumulated contributions and reserves are transferred from that System to this System, includes service that was creditable in the Local Governmental Employees' Retirement ~~System or~~ System, the Teachers' and State Employees' Retirement System, or the Legislative Retirement System, and membership service with those Retirement Systems is membership service with this Retirement System."

SECTION 30.18.(g) G.S. 135-58(a3) reads as rewritten:

"(a3) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after July 1, 2001, but before January 1, 2004, after the member has either attained the member's 65th birthday or has completed 24 years or more of

creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment) would total three-fourths of the member's final compensation:

(1) Four and two-hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two-hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service, rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System to this System as provided in G.S. 135-56."

SECTION 30.18.(h) G.S. 135-58 is amended by adding a new section to read:

"(a4) Any member who retires under the provisions of G.S. 135-57(a) or G.S. 135-57(c) on or after January 1, 2004, after the member has either attained the member's 65th birthday or has completed 24 years or more of creditable service, shall receive an annual retirement allowance, payable monthly, which shall commence on the effective date of the member's retirement and shall be continued on the first day of each month thereafter during the member's lifetime, the amount of which shall be computed as the sum of the amounts in subdivisions (1), (2), (3), (4), and (5) following, provided that in no event shall the annual allowance payable to any member be greater than an amount which, when added to the allowance, if any, to which the member is entitled under the Teachers' and State Employees' Retirement System, the Legislative Retirement System, or the Local Governmental Employees' Retirement System (prior in any case to any reduction for early retirement or for an optional mode of payment) would total three-fourths of the member's final compensation:

(1) Four and two-hundredths percent (4.02%) of the member's final compensation, multiplied by the number of years of creditable service

rendered as a justice of the Supreme Court or judge of the Court of Appeals;

(2) Three and fifty-two hundredths percent (3.52%) of the member's final compensation, multiplied by the number of years of creditable service rendered as a judge of the superior court or as Administrative Officer of the Courts;

(3) Three and two-hundredths percent (3.02%) of the member's final compensation, multiplied by the number of years of creditable service, rendered as a judge of the district court, district attorney, or clerk of superior court;

(4) A service retirement allowance computed in accordance with the service retirement provisions of Article 3 of Chapter 128 of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service equal to the number of years of the member's creditable service that was transferred from the Local Governmental Employees' Retirement System to this System as provided in G.S. 135-56; and

(5) A service retirement allowance computed in accordance with the service retirement provisions of Article 1 of this Chapter of the General Statutes using an average final compensation as defined in G.S. 135-53(2a) and creditable service, including any sick leave standing to the credit of the member, equal to the number of years of the member's creditable service that was transferred from the Teachers' and State Employees' Retirement System or the Legislative Retirement System to this System as provided in G.S. 135-56."

SECTION 30.18.(i) This section becomes effective January 1, 2004.

PART XXXI. CAPITAL APPROPRIATIONS

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CAPITAL APPROPRIATIONS/GENERAL FUND

SECTION 31.1. There is appropriated from the General Fund for the 2003-2004 fiscal year the following amount for capital improvements:

	2003-2004
Department of Environment and Natural Resources Water Resource Projects	$27,601,000
TOTAL CAPITAL APPROPRIATION	$27,601,000

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

WATER RESOURCES DEVELOPMENT PROJECT FUNDS

SECTION 31.2.(a) The Department of Environment and Natural Resources shall allocate the funds appropriated in this act for water resources development projects to the following projects whose costs are as indicated:

	Name of Project	**2003-2004**
(1)	Wilmington Harbor Deepening	$6,800,000
(2)	Morehead City Harbor Maintenance	100,000
(3)	Morehead City Harbor Section 933 Nourishment	4,661,000
(4)	Wilmington Harbor Maintenance	2,700,000
(5)	Manteo (Shallowbag) Bay Channel Maintenance	3,500,000
(6)	John H. Kerr Reservoir Operations Evaluation	200,000

(7)	Beaufort Harbor Maintenance Dredging	80,000
(8)	Carolina Beach Renourishment (New Hanover County)	1,125,000
(9)	Kure Beach Renourishment (New Hanover County)	1,177,000
(10)	Ocean Isle Beach Renourishment (Brunswick County)	813,000
(11)	Bogue Banks Shore Protection Study (Carteret County)	200,000
(12)	Surf City/North Topsail Beach Protection Study	150,000
(13)	Princeville Flood Control Study	400,000
(14)	West Onslow Beach (Topsail)	75,000
(15)	Deep Creek (Yadkin County) Watershed Management	1,500,000
(16)	State Local Projects	2,500,000
(17)	Currituck Sound Water Management Study	150,000
(18)	Aquatic Weed Control, Lake Gaston and Statewide	300,000
(19)	Swan Quarter (Hyde County) Flood Control Dikes	100,000
(20)	Little Sugar Creek Restoration (Mecklenburg County)	20,000
(21)	Neuse River Basin Feasibility Study	100,000
(22)	Environmental Restoration Projects	700,000
(23)	Projected Feasibility Studies	100,000
(24)	Planning Assistance to Communities	150,000
TOTAL		**$27,601,000**

SECTION 31.2.(b) Where the actual costs are different from the estimated costs under subsection (a) of this section, the Department may adjust the allocations among projects as needed. If any projects funded under subsection (a) of this section are delayed and the budgeted State funds cannot be used during the 2003-2004 fiscal year, or if the projects funded under subsection (a) of this section are accomplished at a lower cost, the Department may use the resulting fund availability to fund any of the following:

(1) Corps of Engineers project feasibility studies.
(2) Corps of Engineers projects whose schedules have advanced and require State-matching funds in fiscal year 2003-2004.
(3) State-local water resources development projects. Funds not expended or encumbered for these purposes shall revert to the General Fund at the end of the 2004-2005 fiscal year.

SECTION 31.2.(c) The Department shall make quarterly 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. Each report shall include all of the following:

(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.
(5) The actual cost of each project.

The quarterly reports shall 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.

SECTION 31.2.(d) Notwithstanding G.S. 143-23, if additional federal funds that require a State match are received for water resources projects or for beach renourishment projects for the 2003-2004 fiscal year, the Director of the Budget may, after consultation with the Joint Legislative Commission on Governmental Operations, transfer funds from General Fund appropriations to match the federal funds.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

PROCEDURES FOR DISBURSEMENT OF CAPITAL FUNDS

SECTION 31.3. The appropriations made by the 2003 General Assembly for capital improvements shall be disbursed for the purposes provided by this act. Expenditure of funds shall not be made by any State department, institution, or agency until an allotment has been approved by the Governor as Director of the Budget. The allotment shall be approved only after full compliance with the Executive Budget Act, Article 1 of Chapter 143 of the General Statutes. Prior to the award of construction contracts for projects to be financed in whole or in part with self-liquidating appropriations, the Director of the Budget shall 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 shall 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 shall not be 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 shall be reviewed and approved by the Director of the Budget prior to commitment of funds.

Capital improvement projects authorized by the 2003 General Assembly shall be completed, including fixed and movable equipment and furnishings, within the limits of the amounts of the direct or self-liquidating appropriations provided, except as otherwise provided in this act. Capital improvement projects authorized by the 2003 General Assembly for the design phase only shall be designed within the scope of the project as defined by the approved cost estimate filed with the Director of the Budget, including costs associated with site preparation, demolition, and movable and fixed equipment.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

ENCUMBERED APPROPRIATIONS AND PROJECT RESERVE FUNDS

SECTION 31.4. When each capital improvement project appropriated by the 2003 General Assembly, other than those projects under the Board of Governors of The University of North Carolina, is placed under a construction contract, direct appropriations shall be encumbered to include all costs for construction, design, investigation, administration, movable equipment, and a reasonable contingency. Unencumbered direct appropriations remaining in the project budget shall be placed in a project reserve fund credited to the Office of State Budget and Management. Funds in the project reserve may be used for emergency repair and renovation projects at State facilities with the approval of the Director of the Budget. The project reserve fund may be used, at the discretion of the Director of the Budget, to allow for award of contracts where bids exceed appropriated funds, if those projects supplemented were designed within the scope intended by the applicable appropriation or any authorized change in it, and if, in the opinion of the Director of the Budget, all means to award contracts within the appropriation were reasonably attempted. At the discretion of the Director of the Budget, any balances in the project reserve fund shall revert to the original source.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

REPAIRS AND RENOVATIONS FUNDS ALLOCATIONS

SECTION 31.5. As the bond referendum passed in 2000 provided funds for capital improvements, repairs, and renovations throughout The University of North Carolina System, no funds in the Reserve for Repairs and Renovations shall be used for projects of the System for the 2003-2004 fiscal year.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

CAPITAL IMPROVEMENT PROJECTS/SUPPLEMENTAL FUNDING APPROVAL/REPORTING REQUIREMENT

SECTION 31.6. Each department receiving capital improvement appropriations from the Highway Fund under this act shall report quarterly to the Director of the Budget on the status of those capital projects. The reporting procedure to be followed shall be developed by the Director of the Budget.

Highway Fund capital improvement projects authorized in this act that have not been placed under contract for construction due to insufficient funds may be supplemented with funds identified by the Director of the Budget, provided:

(1) That the project was designed and bid within the scope as authorized by the General Assembly;

(2) That the funds to supplement the project are from the same source as authorized for the original project;

(3) That the department to which the project was authorized has unsuccessfully pursued all statutory authorizations to award the contract; and

(4) That the action be reported to the Fiscal Research Division of the Legislative Services Office.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

PROJECT COST INCREASE

SECTION 31.7. Upon the request of the administration of a State agency, department, or institution, the Director of the Budget may, when in the Director's opinion it is in the best interest of the State to do so, increase the cost of a capital improvement project. Provided, however, that if the Director of the Budget increases the cost of a project, the Director shall report that action to the Joint Legislative Commission on Governmental Operations at its next meeting. The increase may be funded from gifts, federal or private grants, special fund receipts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or direct capital improvement appropriations to that department or institution.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

NEW PROJECT AUTHORIZATION

SECTION 31.8. Upon the request of the administration of any State agency, department, or institution, 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 gifts, federal or private grants, special fund receipts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, or self-liquidating indebtedness. Prior to authorizing the construction of a capital improvement project pursuant to this section, the Director shall consult with the Joint Legislative Commission on Governmental Operations.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

ADVANCE PLANNING OF CAPITAL IMPROVEMENT PROJECTS

SECTION 31.9. Funds that become available by gifts, excess patient receipts above those budgeted at the University of North Carolina Hospitals at Chapel Hill, federal or private grants, receipts becoming a part of special funds by act of the General Assembly, or any other funds available to a State department or institution may be utilized for advance planning through the working drawing phase of capital

improvement projects, upon approval of the Director of the Budget. The Director of the Budget may make allocations from the Advance Planning Fund for advance planning through the working drawing phase of capital improvement projects, except that this revolving fund shall not be utilized by the Board of Governors of The University of North Carolina or the State Board of Community Colleges.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

APPROPRIATIONS LIMITS/REVERSION OR LAPSE

SECTION 31.10. Except as permitted in previous sections of this act, the appropriations for capital improvements made by the 2003 General Assembly may be expended only for specific projects set out by the 2003 General Assembly and for no other purpose. Construction of all capital improvement projects enumerated by the 2003 General Assembly shall be commenced, or self-liquidating indebtedness with respect to them shall be incurred, within 12 months following the first day of the fiscal year in which the funds are available. If construction contracts on those projects have not been awarded or self-liquidating indebtedness has not been incurred within that period, the direct appropriation for those projects shall revert to the original source, and the self-liquidating appropriation shall lapse; except that direct appropriations may be placed in a reserve fund as authorized in this act. This deadline with respect to both direct and self-liquidating appropriations may be extended with the approval of the Director of the Budget up to an additional 12 months if circumstances and conditions warrant such extension.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

INTENT TO FUND PARTIALLY COMPLETED CAPITAL PROJECTS

SECTION 31.11. It is the intent of the General Assembly that future appropriations for capital improvements shall include funding for new projects only after full funding for partially completed projects has been restored.

PART XXXII. MISCELLANEOUS PROVISIONS

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

EXECUTIVE BUDGET ACT APPLIES

SECTION 32.1. The provisions of the Executive Budget Act, Chapter 143, Article 1 of the General Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act by reference.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

COMMITTEE REPORT

SECTION 32.2.(a) The House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, which was distributed in the House of Representatives and used to explain this act, shall indicate action by the General Assembly on this act and shall therefore be used to construe this act, as provided in G.S. 143-15 of the Executive Budget Act, and for these purposes shall be considered a part of this act and as such shall be printed as a part of the Session Laws.

SECTION 32.2.(b) The budget enacted by the General Assembly for the maintenance of the various departments, institutions, and other spending agencies of the State for the 2003-2005 fiscal biennium is a line item budget, in accordance with the Budget Code Structure and the State Accounting System Uniform Chart of Accounts set out in the Administrative Policies and Procedures Manual of the Office of the State

Controller. This budget includes the appropriations made from all sources including the General Fund, Highway Fund, special funds, cash balances, federal receipts, and departmental receipts.

The General Assembly amended the itemized budget requests submitted to the General Assembly by the Director of the Budget and the Advisory Budget Commission, in accordance with the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, together with any accompanying correction sheets.

The budget enacted by the General Assembly shall be interpreted in accordance with the special provisions in this act and in accordance with other appropriate legislation.

In the event that there is a conflict between the line item budget certified by the Director of the Budget and the budget enacted by the General Assembly, the budget enacted by the General Assembly shall prevail.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

MOST TEXT APPLIES ONLY TO THE 2003-2005 FISCAL BIENNIUM

SECTION 32.3. Except for statutory changes or other provisions that clearly indicate an intention to have effects beyond the 2003-2005 fiscal biennium, the textual provisions of this act apply only to funds appropriated for, and activities occurring during, the 2003-2005 fiscal biennium.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

EFFECT OF HEADINGS

SECTION 32.4. The headings to the parts and sections of this act are a convenience to the reader and are for reference only. The headings do not expand, limit, or define the text of this act, except for effective dates referring to a Part.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

SEVERABILITY CLAUSE

SECTION 32.5. If any section or provision of this act is declared unconstitutional or invalid by the courts, it does not affect the validity of this act as a whole or any part other than the part so declared to be unconstitutional or invalid.

Requested by: Representatives Crawford, Sherrill, Baker, Clary, Earle, Grady, Owens, Wright

EFFECTIVE DATE

SECTION 32.6. Except as otherwise provided, this act becomes effective July 1, 2003.

RULES FOR HOUSE APPROPRIATIONS

April 14, 2003

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Money can only be transferred among items within the same subcommittee.

2. Amendments cannot increase total spending within a subcommittee report beyond what the subcommittee recommended.

3. Amendments cannot increase total spending beyond the total amount shown in the draft committee report.

4. Amendments cannot spend reversions.

5. Nonrecurring reductions cannot be used to fund recurring items.

6. Amendments that cause the budget to be unbalanced are not in order.

7. Amendments that provide expansion funding in the second year of the biennium are not allowed.

8. Amendments proposing to include material not directly related to the budget are not in order.

9. Amendments must be in writing, with 150 copies available for distribution. The Sergeant-at-Arms will distribute copies only at the direction of the chairs.

10. No documents may be distributed to members except by prior arrangement with the chairs.

11. To be considered a proposed amendment (a) must have been requested from drafting staff by 7:00 PM and (b) must have been logged in at the podium by committee staff by 8:30 PM. The Chairs will review amendments to make sure they are eligible for consideration. Eligible amendments will be heard after all of the subcommittee presentations have been made.

AMENDMENT LOG
APPROPRIATIONS COMMITTEE

Mon. April 14, 2003 (DATE)

#	Draft #	Sponsor	Subcom	Action	Votes
3	H397-ALH-1	Mechaun		Failed	
4	ALE-6	Johnson, L.		Favorable	
5	ALE-4	Preston		Favorable	
6	ALH-12	Chuck/Stam		Withdrawn	
7	ALB-17 (#2)	Mechaun, Stan Nesbitt		Failed	F 23-32 D
8	ALB-21	LaRogue		Failed	
9	ALB-20	La Rogue		Failed	F 14 - D
10	ALH-2	moore		Failed	37Y-38N R
11	ALE-7	Mechaun		Favorable as perfected	
12	ALE-10	Williams, K Justice etc		Failed	32Y-43N OR
13	ALH-18	F. Butterfield		Favorable	✓
14	ALH-13	F. Butterfield		Withdrawn - Not in order	—
15	ALD-6	Gillespie		Favorable	✓
16	ALE-14	Johnson, L		Perfecting Amendment passed Replaced original	✓
17	ALT-1	Kiser		Favorable	✓
18	ALY-2	K. Williams		Failed	✓
19	ALB-7	L. Allen		Failed	✓
20	ALH-14	Nye-Barnhardt		Favorable	✓
21	ALD-8	West		Favorable	✓
22	ALE-12	Gorman		Failed	✓
23	ALE-11	Gorman		FAILED	✓
24	ALD-4	Haire		Displaced Withdrawn	
25	ALL-2	Sherrill		FAVORABLE	✓
26	ALR-1	Miller		FAVORABLE	✓

VV – Voice Vote RR – Roll Call D - Division

AMENDMENT LOG
APPROPRIATIONS COMMITTEE

Mon April 14, 2003 (DATE)

#	Draft #	Sponsor	Subcom	Action	Votes
27	ALE 18	Bonner		Favorable	V
28	ALH-23	Church/Sdam		Failed	V
29	ALL 3	miller		Failed	V
30	ALH-8	Insko		Failed	V
31	ALH-20	INSKO		FAiled	V
32	ALH-17	Insko		Failed	V
33	ALH-15	Insko		Withdrawn	
34	ALH-24	Insko		displaced	
35	CSLH-3,	Adams		HACKNEY Perfecting Amendment NO ~~ADAMS~~ FAVORABLE #3	V
36	ALH-13	F. Butterfield		FAiled	V
37	ALH-25	moore		~~Failed~~ Withdrawn	
38	ALR-24	Daughtry		Failed	35Y-4UNR
39	ALH-19	clary		Favorable	V
40	ALR-3	Yongue		~~Favorable~~ FAiled	V
41	ALE-8 V6	McHenry		Failed for lack of majority	D 30 F 30 O
42	ALE-20	McHenry		Favorable	D
43	ALH-7	Hackney		Withdrawn	
44	ALH-27	Michaux		Failed	V
45				withdrawn	
46	ALH-28	Bowie		Favorable	V
47	ALH-31	Insko		Withdrawn	
48	ALH-29	Insko		Failed	V
49	ALH-30	Insko		Failed	V
50	ALY-4	Clary		Favorable	V

AMENDMENT LOG
APPROPRIATIONS COMMITTEE

Mon April 14 2003 (DATE)

#	Draft #	Sponsor	Subcom	Action	Votes
51				Withdrawn	
52				Withdrawn	
53	ALE-21	Frye		Failed	✓
54	ALD-1	McHenry		Withdrawn	
55	ALU-32	Clary		Favorable	✓
56	ALH-4	Crawford		Favorable	✓
57	ALR-4	Blust		Failed	✓
58	397-58	Barnhardt, N/C		Favorable	✓

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clay, Crawford, Earle, Grady, Owens, Sherrill and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☐ Committee Substitute for
H.B. 397 A BILL TO BE ENTITLED AN ACT TO APPROPRIATE FUNDS FOR CURRENT OPERATIONS AND CAPITAL IMPROVEMENTS FOR STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☑ With a favorable report as to the committee substitute bill (~~#____~~), ☐ ~~which changes the title~~, unfavorable as to (the original bill) (~~Committee Substitute Bill #_____~~), ~~(and recommendation that the committee substitute bill #_____ be re-referred to the Committee on _____)~~

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

withdrawn

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALU-10 [v.2]

Date April 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Farmer-Butterfield

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G3, item 23, by deleting that item; and

further moves to amend the Committee Report on page G7, item 62, by increasing the amount of the reduction allocated for that item in each fiscal year by three million nine hundred thousand dollars ($3,900,000) in each fiscal year; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

SIGNED Jean Farmer-Butterfield
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Withdrawn

2

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALU-13 [v.2]

Date April 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Farmer-Butterfield

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G5, item 44, by deleting that item; and

further moves to amend the Committee Report on page G6, item 51, by reducing the amount of the allocation for that item in each fiscal year by one hundred fifty-six thousand six hundred thirty dollars ($156,630) in each fiscal year; and

further moves to amend the Committee Report on page G5, item 43, by deleting the language that reads "Eliminates the grant-in-aid funding to the North Carolina Pregnancy Prevention Coalition of North Carolina.", and substituting "Replace State funds previously awarded to the North Carolina Pregnancy Prevention Coalition with federal funds from the Temporary Assistance for Needy Families (TANF) Block Grant."; and

further moves to amend the bill on page 16, line 10, by adding a new subsection to read:

"**SECTION 5.1.(v)** The sum of one hundred twenty-seven thousand five hundred dollars ($127,500) appropriated in this section in the TANF Block Grant to the Department of Health and Human Services shall be used to support the activities of the North Carolina Pregnancy Prevention Coalition."; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALU-13 [v.2]

SIGNED Jean Farmer-Butterfield
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

3

Failed

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 3
(to be filled in by
Principal Clerk)

H397-ALH-1 [v.1]

Date Apr. 14 ,2003

Comm. Sub. [NO]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Rep. Michaux

moves to amend the bill on page 52, line 39,
by adding on that line the following:
"Requested by: Representative Michaux
FUNDS FOR FOCUSED GROWTH INSTITUTIONS

SECTION 9.4.(a) The General Fund appropriation to The University of North Carolina in this act shall be reduced by thirty-five million dollars ($35,000,000) in proportion to the amount of overhead receipt funds received by each campus during the 2002-2003 fiscal year.

SECTION 9.4.(b) The thirty-five million dollars ($35,000,000) reduced in subsection (a) of this section shall be allocated in equal dollar amounts to the seven campuses of The University of North Carolina designated by the Board of Governors as "Focused Growth" institutions to prepare for enrollment growth.

SECTION 9.4.(c) Subsections (a) and (b) of this section shall be made on a recurring basis in the General Fund appropriations of The University of North Carolina."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Adopted

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 4
(to be filled in by
Principal Clerk)

H397-ALE-6 [v.2]

Date APRIL 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative L. JOHNSON

moves to amend the bill on page 39, line 41, by deleting "G.S. 115C-12(4)" and substituting "G.S. 115C-12(24)".

SIGNED Linda P Johnson
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Adopted

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 5
(to be filled in by
Principal Clerk)

H397-ALE-4 [v.1]

Date APRIL 14 ,2003

Comm. Sub. [NO]
Amends Title [NO]
PCS

Representative Preston

moves to amend the bill on page 29, line 49, through page 30, line 2, by deleting the lines and substituting the following:

"**SECTION. 7.2.(i)** Participants in an approved full-time masters in school administration program shall receive up to a 10-month stipend at the beginning salary of an assistant principal during the internship period of the masters program. The stipend shall not exceed the difference between the beginning salary of an assistant principal and any fellowship funds received by the intern as a full-time student, including awards of the Principal Fellows program. The Principal Fellows Program or the school of education where the intern participates in a full-time masters in school administration program shall supply the Department of Public Instruction with certification of eligible full-time interns."

SIGNED Jean R Preston
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

Gov's efficiency Study Comm ISSION is recommending essentially the same amendment.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

Withdrawn

AMENDMENT NO. 6
(to be filled in by Principal Clerk)

H397-ALU-12 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representatives Church and Stam

moves to amend the bill on page ~~97~~ 85, line ~~22~~ 32, by adding the following new provision to read:

"Requested by: Representatives Church and Stam

CONSOLIDATE SMART START AND MORE AT FOUR

SECTION #. The Department of Health and Human Services shall consolidate the North Carolina Partnership for Children, Inc. and the 'More At Four' programs effective for the 2004-2005 fiscal year. The Director of the Budget shall have the authority to denominate the newly consolidated program.".

SIGNED Church Stam Stam
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Home Bill 397

Filed

AMENDMENT NO. 7
(to be filled in by
Principal Clerk)

H 397 ALB-17 [v.2]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]

Representatives Michaux , Stam, Nesbitt

moves to amend the bill on page 5, line 55 by inserting the following:
"Requested by Representatives Michaux, Stam, Nesbitt

SECTION 2.3(a). Pursuant to Section 2(b) of S.L. 1999-2, the fifty percent (50%) of the annual installment payment to the North Carolina State Specific Account otherwise transferred and assigned to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., during the 2003-2004 and 2004-2005 fiscal years are transferred to the General Fund. The Attorney General shall take all necessary actions to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly redirecting this payment.

SECTION 2.3(b). Section 6 of S.L. 1999-2 reads as rewritten:

"Section 6. It is the intent of the General Assembly that the funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows:

(1) Fifty percent (50%) to the nonprofit corporation as provided by the Consent ~~Decree.~~ Decree, except during the 2003-2004 and 2004-2005 fiscal tears, to the General Fund, to be appropriated by the General Assembly.

(2) Twenty-five percent (25%) to a trust fund to be established by the General Assembly for the benefit of tobacco producers, tobacco allotment holders, and persons engaged in tobacco-related businesses, with this trust fund to be governed by a board of trustees representing these interests. To carry out this purpose, this trust fund may provide

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397 ALB-17 [v.2]

direct and indirect financial assistance, in accordance with criteria established by the trustees of the trust fund and to the extent allowed by law, to (i) indemnify tobacco producers, allotment holders, and persons engaged in tobacco-related businesses from the adverse economic effects of the Master Settlement Agreement, (ii) compensate tobacco producers and allotment holders for the economic loss resulting from lost quota, and (iii) revitalize tobacco dependent communities.

(3) Twenty-five percent (25%) to a trust fund to be established by the General Assembly for the benefit of health, with this trust fund to be governed by a board of trustees comprised of a broad representation of health interests.""

SIGNED Brian Stam Nesbitt
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 379

AMENDMENT NO. 8
(to be filled in by
Principal Clerk)

H379-ALB-21 [v.2]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]
Second Edition

Representative LaRoque

moves to amend the bill on page 5, line 22, by deleting "forty million dollars ($40,000,000)", and substituting "twenty million dollars ($20,000,000)"

further moves to amend the bill on page 5, line 55, by adding the following:

SECTION 2.2.(i)) Pursuant to Section 2(b) of S.L. 1999-2, twenty million dollars ($20,000,000) of the annual installment payment to the North Carolina State Specific Account otherwise transferred and assigned to The Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc., during the 2003-2004 and 2004-2005 fiscal years are transferred to the General Fund to support General Fund appropriations for the 2003-2004 and 2004-2005 fiscal years.

The Attorney General shall take all necessary actions to notify the court in the action entitled State of North Carolina v. Philip Morris Incorporated, et al., 98 CVS 14377, in the General Court of Justice, Superior Court Division, Wake County, North Carolina, and the administrators of the State Specific Account established under the Master Settlement Agreement of this action by the General Assembly redirecting this payment.

SECTION 2.2.(j). Section 6(1) of S.L. 1999-2 reads as rewritten:

"Section 6. It is the intent of the General Assembly that the funds under the Master Settlement Agreement, which is incorporated into the Consent Decree, be allocated as follows:

(1) Fifty percent (50%) to the nonprofit corporation as provided by the Consent ~~Decree.~~ Decree, except during the 2003-2004 and 2004-2005 fiscal years, the first twenty million dollars ($20,000,000) of that fifty percent (50%), to the General Fund, to be appropriated by the General Assembly.

....."

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 379

AMENDMENT NO. 8
(to be filled in by
Principal Clerk)

H379-ALB-21 [v.2]

1

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

1,337

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 379

AMENDMENT NO. 9
(to be filled in by
Principal Clerk)

H379-ALB-20 [v.1]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]
Second Edition

Representative LaRoque

Moves to amend the committee report on page K5, item 20, add for FY2004-05 "$1,600,000 NR" , in the text delete "June 30, 2004" and substitute "June 30, 2005", and add the following between the two lines of text "Provides nonrecurring Highway Trust Fund appropriations to support the Global TransPark for FY 2004-05"

Further moves to amend the committee report by adding the following new item on page K5
"Department of Transportation – Highway Trust Fund –Program Administration (Code 4290-84290-9500
NR reduction in second year ----- (1,600,000 NR)"

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

2:00

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 10
(to be filled in by
Principal Clerk)

H397-ALH-2 [v.1]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Moore

moves to amend the money report on page F5, Item 40, by rewriting that item to read:

"40. Tuition Increase The UNC Board of Governors shall increase tuition rates for nonresident students by 10%. No increase shall be made in the tuition rate for in-state students for the 2003-04 academic year. These receipts shall be used to partially offset the cost of funding the UNC enrollment growth."	($25,000,000) R	($25,000,000) R

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

ROLL CALL VOTE

amendment #19

DATE 4-14-03

37 YES 38 NO = _____(TOTAL)

HB# ~~1152~~
SB# ____

HOUSE STANDING COMMITTEE ON APPROPRIATIONS

YES	NO	MEMBER (last name)
✓		Baker, Chair
✓		Clary, Chair
	✓	Crawford, Chair
	✓	Earle, Chair
✓		Grady, Chair
	✓	Owens, Chair
✓		Sherrill, Chair
	✓	Wright, Chair
	✓	Adams
✓		Allen, B
	✓	Allen, L
✓		Allred
	✓	Barbee
	✓	Barnhart
	✓	Bell
		Blust
	✓	Bonner
✓		Bowie
	✓	Church
	✓	Coates
✓		Cole
✓		Culp
✓		Daughtridge
✓		Daughtry
	✓	Dickson
		Dockham
✓		England
	✓	Farmer-Butterfield
	✓	Fox
	✓	Frye
✓		Gillespie
✓		Goforth
		Goodwin
✓		Gorman
✓		Gulley
	✓	Hackney
	✓	Haire
	✓	Hall
	✓	Harrell
✓		Hilton
		Holmes
		Hunter
	✓	Insko
	✓	Jeffus
	✓	Johnson, C
✓		Johnson, L
✓		Justice, C.H.
✓		Justus
✓		Kiser
✓		LaRoque

	✓	Lucas
✓		McAllister
	✓	McComas
✓		McHenry
	✓	McLawhorn
		McMahan
		Michaux
	✓	Miller
✓		Mitchell
✓		Moore
		Nesbitt
	✓	Nye
	✓	Parmon
✓		Pate
	✓	Preston
	✓	Rapp
✓		Ray
✓		Rhodes
✓		Sauls
✓		Saunders
✓		Sexton
✓		Stam
✓		Stiller
	✓	Sutton
	✓	Tolson
✓		Walend

		Walker
		Warner
	✓	Warren
✓		West
	✓	Williams, A.
✓		Williams, K.
		Wilson
	✓	Yongue
		EX OFFICIOS
		THEN CHAIRS

Ex officio Members

		Brubaker
		Cunningham
	✓	Culpepper
	✓	Eddins

2:35

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 11
(to be filled in by
Principal Clerk)

H397-ALE-7 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative Michaux

moves to amend the bill on page 47, line 14, by deleting "five million dollars ($5,000,000)" and substituting "fifteen million dollars ($15,000,000)".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

11a

(Please type or use ballpoint pen)

Perfecting Amend #11

EDITION No. _____

H. B. No. 397

S. B. No. _____

COMMITTEE SUBSTITUTE _____

DATE 4/14/15

Amending Amendment No. 11
(to be filled in by Principal Clerk)

(Rep.) Owens
Sen.)

1 moves to amend the bill on page _____, line _____

2 ( ) WHICH CHANGES THE TITLE

3 by perfecting Amend #11 by substituting

4 the phrase on line 2 with the following

5 phrase:

6 "by an amount not to

7 exceed fifteen million

8 dollars ($15,000,000)"

9

10

11

12

13

14

15

16

17

18

19

SIGNED W.C. Owens Jr

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 12
(to be filled in by
Principal Clerk)

H397-ALE-10 [v.3]

Date 4/14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representatives K. Williams, Justice, Gorman, Sauls, Moore

move to amend the bill on page 85, line 46, through page 87, line 45, by deleting the lines; and

On page 2, lines 13 and 25 and page 4, line 27, by modifying the totals on those lines accordingly; and

Move to amend the committee report on page G9, by deleting item #81; and by modifying the totals in the report accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

ROLL CALL VOTE

DATE 4-14 #12

32 YES 43 NO = _____(TOTAL)

HB# _____
SB# _____

HOUSE STANDING COMMITTEE ON APPROPRIATIONS

YES	NO	MEMBER (last name)
✓		Baker, Chair
✓		Clary, Chair
	✓	Crawford, Chair
	✓	Earle, Chair
✓		Grady, Chair
	✓	Owens, Chair
	✓	Sherrill, Chair
	✓	Wright, Chair
	✓	Adams
	✓	Allen, B
	✓	Allen, L
✓		Allred
✓		Barbee
✓		Barnhart
	✓	Bell
		Blust
	✓	Bonner
✓		Bowie
	✓	Church
	✓	Coates
	✓	Cole
✓		Culp
✓		Daughtridge
✓		Daughtry
	✓	Dickson
		Dockham
	✓	England
	✓	Farmer-Butterfield
	✓	Fox
✓		Frye
✓		Gillespie
	✓	Goforth
		Goodwin
✓		Gorman
✓		Gulley
	✓	Hackney
	✓	Haire
	✓	Hall
	✓	Harrell
✓		Hilton
		Holmes
		Hunter
	✓	Insko
	✓	Jeffus
	✓	Johnson, C
✓		Johnson, L
✓		Justice, C.H.
✓		Justus
✓		Kiser
✓		LaRoque

	✓	Lucas
	✓	McAllister
	✓	McComas
✓		McHenry
	✓	McLawhorn
		McMahan
	✓	Michaux
	✓	Miller
✓		Mitchell
✓		Moore
		Nesbitt
	✓	Nye
	✓	Parmon
✓		Pate
✓		Preston
	✓	Rapp
✓		Ray
✓		Rhodes
✓		Sauls
	✓	Saunders
		Sexton
✓		Stam
	✓	Stiller
	✓	Sutton
	✓	Tolson
✓	✓	Walend

		Walker
		Warner
	✓	Warren
✓		West
	✓	Williams, A.
✓		Williams, K.
		Wilson
	✓	Yongue
		EX OFFICIOS
		THEN CHAIRS

Ex officio Members

		Brubaker
	✓	Cunningham
	✓	Culpepper
		Eddins

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 13
(to be filled in by
Principal Clerk)

H397-ALU-18 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Farmer-Butterfield

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G5, item 43, by deleting the language that reads "Eliminates the grant-in-aid funding to the North Carolina Pregnancy Prevention Coalition of North Carolina.", and substituting "Replace State funds previously awarded to the North Carolina Pregnancy Prevention Coalition with federal funds from the Temporary Assistance for Needy Families (TANF) Block Grant."; and

further moves to amend the bill on page 11, line 22, by adding the following new item to read:

"21. Pregnancy Prevention Coalition of North Carolina 127,500"; and

further moves to amend the bill on page 11, line 6 by reducing the amount appropriated on that line by one hundred twenty-seven thousand five hundred dollars ($127,500).

SIGNED Jeff Farmer - Butterfield
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 14
(to be filled in by Principal Clerk)

H397-ALU-13 [v.4]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Farmer-Butterfield

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G5, item 44, by deleting that item; and

further moves to amend the Committee Report on page G7, item 63, by reducing the amount of the reduction allocated for that item in each fiscal year by one hundred fifty-six thousand six hundred thirty dollars ($156,630) in each fiscal year; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

SIGNED Jean Farmer-Butterfield
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 15
(to be filled in by
Principal Clerk)

H397-ALD-6 [v.6]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Gillespie

moves to amend the bill on page 99, lines 21 and 22, by adding between those lines the following:

"Requested by: Representative Gillespie

STUDY REALLOCATION OF BAILEY FORK WATERSHED PROPERTY TO STATE PARK/ACCESS TO STATE PARK

SECTION 11.9.(a) The Department of Environment and Natural Resources and the Department of Health and Human Services shall study the desirability of reallocating the 454 acres that comprise the Bailey Fork watershed property located in Burke County that is currently owned by the Department of Health and Human Services and shall study whether to provide access to new facilities at the South Mountains State Park to students at the North Carolina School for the Deaf at Morganton. After considering these matters under this section, the Departments may submit a request to the Council of State to reallocate the 454 acres that comprise the Bailey Fork watershed property located in Burke County to the South Mountains State Park as an addition to the South Mountains State Park. No later than January 1, 2004, the Department of Environment and Natural Resources and the Department of Health and Human Services shall report the results of the study, including any findings and recommendations, to the House and Senate Appropriations Subcommittees on Natural and Economic Resources.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 15
(to be filled in by
Principal Clerk)

H397-ALD-6 [v.6]

SECTION 11.9.(b) Prior to July 1, 2005, the 454 acres that comprise the Bailey Fork watershed property located in Burke County that is currently owned by the Department of Health and Human Services shall not be transferred or sold without review and approval by the General Assembly."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 16
(to be filled in by
Principal Clerk)

H397-ALE-14 [v.2]

Date APRIL 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative L. Johnson

moves to amend the bill on page 136, lines 33-39, by deleting the lines.

SIGNED Linda P. Johnson
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

PERFECTING

EDITION No. 397

H. B. No. _____

S. B. No. _____

COMMITTEE SUBSTITUTE _____

DATE 4/14/03 16a

Amend
Amendment No. 16
(to be filled in by Principal Clerk)

(Rep.) Owens
Sen.)

moves to amend ~~the bill on page~~ Amendment #16, line 1

( ) WHICH CHANGES THE TITLE

by by rewriting the lines to read:

"moves to amend the bill on page 136, lines 35-36, by rewriting the lines to read:

'SECTION 29.7. The State Board of Education shall study statewide privatization of state-funded driver education programs." ~~The study shall be completed by July 1, 2004.~~

SIGNED W.C. Owens Jr.

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 17
(to be filled in by
Principal Clerk)

H397-ALT-1 [v.3]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Kiser

moves to amend the bill on page 115, line 17, by adding the following new language to read:

"Requested by: Representative Kiser
RAPE KIT FUNDS A PRIORITY

SECTION 14.7. In expending funds appropriated in this act to the Department of Justice for the Molecular Genetics Section of the State Bureau of Investigation, the Department shall give priority to the analysis of forensic samples from rape kits for the investigation and prosecution of criminal offenses over the analysis of DNA samples taken from convicted offenders for entry into the DNA database."

SIGNED Joe Kiser
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 18
(to be filled in by
Principal Clerk)

H397-ALY-2 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
h397-pcs30261-LH-3

Representative K. Williams

moves to amend the bill on page 81, lines 43 and 44, by replacing the phrase "two hundred percent (200%)" with the phrase "one hundred twenty-five percent (125%)".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 19
(to be filled in by
Principal Clerk)

H397-ALD-7 [v.1]

Date April 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative L. Allen

moves to amend the bill on page 96, lines 45 through 50, by deleting those lines.

SIGNED Lucy T. Allen
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 20
(to be filled in by
Principal Clerk)

H397-ALU-14 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representatives Barnhart, Nye

move to amend the bill on page 83, line 17, by rewriting the line to read:
"who earn less than two hundred percent (200%) of the federal".

SIGNED Jeff Barnhart
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 21
(to be filled in by
Principal Clerk)

H397-ALD-8 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative West

moves to amend the bill on page 99, line 6 by adding the following at the end of the line:
"This subsection does not apply to a county if the board of commissioners of the county adopts a resolution consenting to the acquisition."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 22
(to be filled in by
Principal Clerk)

H397-ALE-12 [v.1]

Date APRIL 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative Gorman

moves to amend the committee report on page F5, item #39, by changing the amounts to $23,295,204 for each year; and by adjusting the totals accordingly; and

moves to amend the bill on page 2, line 8, by reducing the totals in each year by $23,295,205; and by adjusting the totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 23
(to be filled in by
Principal Clerk)

H397-ALE-11 [v.1]

Date APRIL 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative Gorman

moves to amend the committee report on page F4, item # 30, by deleting the item, and by modifying the totals in the report accordingly; and

moves to amend the bill on page 39, lines 43-51, by deleting those lines; and

on page 2, line 6, by reducing those amounts by $25,303,294 each year; and by by modifying the totals in the bill accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

4:40

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 24
(to be filled in by Principal Clerk)

H397-ALD-4 [v.3]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Haire

moves to amend the bill on page 98, line 15, through page 99, line 11, by deleting those lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

H. 41

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 25
(to be filled in by
Principal Clerk)

H397-ALL-2 [v.3]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS H397-PCS30261-LH-3

Representative Sherrill

moves to amend the Committee Report on page I-2, Item 8,
by decreasing the reduction on that line by $200,000 for each year;

and on page I-2, Item 9,
by increasing the reduction on that line by $200,000 for each year;

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

H.42

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 26
(to be filled in by
Principal Clerk)

H397-ALR-1 [v.3]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS30261-LH-3

Representative Miller

moves to amend the bill on page 128, line 22 by rewriting the line to read:

"**SECTION 21.1.(a)** The Office of Information Technology Services shall analyze the State's legacy information technology systems and develop a plan to ascertain the needs, costs, and time frame required for State agencies to progress to more modern information technology systems. In conducting this legacy system assessment and analysis, the Office shall:

(1) Examine the hierarchical structure and interrelated relationships within and between State agency legacy systems.

(2) Catalog and analyze the portfolio of legacy applications in use in State agencies and consider the extent to which new applications could be used concurrently with, or should replace, legacy systems.

(3) Consider issues related to migration from legacy environments to Internet-based and client/server environments, and related to the availability of programmers and other information technology professionals with the skills to migrate legacy applications to other environments.

(4) Study any other issue relative to the assessment of legacy information technology systems in State agencies, except that the analysis shall not include matters within the purview of the studies authorized in S.L. 2001-491 or S.L. 2002-126.

State departments, agencies, and institutions shall give to ITS all information and all data within their possession, or ascertainable from their records, that ITS deems necessary to carry out the analysis.

By March 1, 2004, the Office shall complete the analysis and shall make a report of the assessment to the Information Resources Management Commission, the Joint

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 26
(to be filled in by
Principal Clerk)

H397-ALR-1 [v.3]

Legislative Commission on Governmental Operations, and the Joint Select Committee on Information Technology.

SECTION 21.1.(b) The Office of State Budget and Management shall".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 27
(to be filled in by
Principal Clerk)

H397-ALE-18 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative BONNER

moves to amend the bill on page 41, lines 36-47, by rewriting the lines to read:

SECTION 7.17. Of funds appropriated from the General Fund to State Aid to Local School Administrative Units, the sum of five hundred thousand dollars ($500,000) for fiscal year 2003-2004 shall be used to provide assistance to the State's low-performing Local School Administrative Units (LEAs) and to assist schools in meeting adequate yearly progress in each subgroup identified in the No Child Left Behind Act of 2001. The State Board of Education shall report to the Office of State Budget and Management, the Fiscal Research Division, and the Joint Legislative Education Oversight Committee on the expenditure of these funds by May 15, 2004, and by December 15, 2005. The report shall contain: (1) the criteria for selecting LEAs and schools to receive assistance, (2) measurable goals and objectives for the assistance program, (3) an explanation of the assistance provided, (4) findings from the assistance program, (5) actual expenditures by category, (6) recommendations for the continuance of this program, and (7) any other information the State Board deems necessary."; and

moves to amend the committee report on page F-4, item #32, by deleting the language:

"LEA Assistance Program
Provide funds to establish an assistance program for LEAs that are identified by the State Board of Education as low-performing. Assistance teams shall be assigned to an LEA to provide system wide assessments, technical assistance, and recommendations for improvement.";

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 27
(to be filled in by
Principal Clerk)

H397-ALE-18 [v.1]

And substituting the following:

"LEA Assistance Program and Aid to Implement No Child Left Behind
Provide funds to DPI to establish an assistance program for LEA's that are identified by the State Board of Education as low performing and to assist schools in meeting Adequate Yearly Progress requirements of federal No Child Left Behind legislation."

SIGNED Donald C. Bonner
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 28
(to be filled in by Principal Clerk)

H397-ALU-23 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representatives Church and Stam

move to amend the bill on page 87, line 46, by adding the following new provision to read:

"Requested by: Representatives Church and Stam

TRANSFER OF MORE AT FOUR PROGRAM

SECTION #. The administration of the 'More At Four' program shall be transferred from the Office of the Governor and established within the Department of Health and Human Services. The 'More At Four' program, including all positions, corresponding State appropriations, and any other funds supporting 'More At Four' shall be transferred out of the Office of the Governor into the Department. The Director of the Budget shall have the authority to denominate the program within the Department.".

SIGNED Stam & Church
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 29
(to be filled in by
Principal Clerk)

H397-ALL-3 [v.7]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS H397-PCS30261-LH-3

Representative Miller

moves to amend the bill on page 113, line 46,
by adding on that line the following:

"Requested by: Representative Miller
NORTH CAROLINA STATE BAR FUNDS

SECTION #. Of the funds appropriated in the continuation budget as a grant-in-aid to the North Carolina State Bar for the 2003-2005 biennium, the North Carolina State Bar may in its discretion use up to the sum of five hundred ninety thousand dollars ($590,000) for the 2003-2004 fiscal year and up to the sum of five hundred ninety thousand dollars ($590,000) for the 2004-2005 fiscal year to contract with the Center for Death Penalty Litigation to provide training, consultation, brief banking, and other assistance to attorneys representing indigent capital defendants.";

and to amend the Committee Report on page I-7, Item 36,
by rewriting that item to read:

"36 Reduce Vehicle Replacement Funds The vehicle replacement budget is reduced by $590,000 each year. In addition, a one-time reduction of $450,000 will be implemented for FY 2003-04. A total of $3,860,000 remains in the budget for 03-04 and a total of $4,310,000 for 04-05."	($590,000) R ($450,000) NR	($590,000) R

and on page I-2, Item 7, by deleting that item;

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 29
(to be filled in by
Principal Clerk)

H397-ALL-3 [v.7]

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 30
(to be filled in by
Principal Clerk)

H397-ALN-8 [v.5]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Insko

moves to amend the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, on page G8, item #67, by deleting the item; and

further moves to amend the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, on page G7, item #62, by increasing the reductions allocated for that item by two million one hundred eight-five thousand one hundred sixty-six dollars (2,185,166) in the 2003-2004 fiscal year and by nine million two hundred fifty-eight thousand six hundred fifty-three dollars ($9,258,653) in the 2004-2005 fiscal year; and

further moves to amend the bill on page 66, lines 4 through 5, by deleting "one hundred fifty percent (150%)" and substituting "one hundred eighty-five percent (185%); and

further moves to amend the bill and the Committee Report by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 31
(to be filled in by
Principal Clerk)

H397-ALU-20 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Insko

moves to amend the House Appropriations Committee Report on Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G3, item 23, by deleting that item; and

further moves to amend the Committee Report on page G7, item 63, by increasing the amount of the reduction allocated in each fiscal year by three million nine hundred thousand dollars ($3,900,000) for each fiscal year; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

SIGNED Ursla Insko
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 32
(to be filled in by
Principal Clerk)

H397-ALU-17 [v.3]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Insko

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G6, item 51, by eliminating the allocation for that item in the 2003-2004 fiscal year; and

further moves to amend the Committee Report on page G3, item 24, by reducing the amount of the reduction allocated for the 2003-2004 fiscal year by one million two hundred thousand dollars ($1,200,000) for that year; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

SIGNED Verla Insko
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 33
(to be filled in by
Principal Clerk)

H397-ALU-15 [v.3]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Insko

moves to amend the bill on page 85, lines 21-23, by deleting those lines; and

further moves to amend the bill on page 85, line 26, by inserting the following lines after the period at the end of the sentence:
"When the North Carolina Partnership for Children, Inc., is satisfied that the local partnership has corrected the findings and met requirements defined in their Performance Improvement Plan, as directed by the North Carolina Partnership for Children, Inc., the local partnership's allocation may be restored the following fiscal year."; and

further moves to amend the bill on page 85, lines 24-31, by re-designating the appropriate subsections accordingly.

SIGNED Viola Green
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 34
(to be filled in by
Principal Clerk)

H397-ALU-24 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Insko

moves to amend the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, on page G2, item #14, by reducing the allocation for that item in each fiscal year by two million four hundred thousand dollars ($2,400,000) in each year; and

further moves to amend the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, on page G2, items #9, and #10 by deleting the items; and

further moves to amend the Committee Report on the by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

H. B. No. 397 DATE 4/12/03

~~S. B. No.~~ PCS H397-CSLH-3 Amendment No. 35

(to be filled in by Principal Clerk)

Rep.) Adams

Sen.)

moves to amend the bill on page 85, lines 21-23

by deleting those lines.

SIGNED Alma Adams

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

H. B. No. 397 DATE 4/12/03

~~S. B. No.~~ PCS H397-CSLH-3 Amendment No. 35

(to be filled in by Principal Clerk)

Rep.) Adams

Sen.)

moves to amend the bill on page 85, lines 21-23

by deleting those lines, and renumbering as follows:

"Section 10.38(i) The North Carolina Partnership for Children, Inc. shall develop a plan to focus on quality day care initiatives and child care subsidies, and shall study any duplication in health services, family support, and program support activities, and report same to the House and Senate Appropriations Chairs."

SIGNED Alma Adams

ADOPTED _____ FAILED _____ TABLED _____

5:35

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

Replaced 4/14

AMENDMENT NO. 36
(to be filled in by
Principal Clerk)

H397-ALU-13 [v.5]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Farmer-Butterfield

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G5, item 44, by deleting that item; and

further moves to amend the Committee Report on page G7, item 63, by increasing the amount of the reduction allocated for that item in each fiscal year by one hundred fifty-six thousand six hundred thirty dollars ($156,630) in each fiscal year; and

further moves to amend the bill on page 68, lines 9 through 11, by rewriting those lines to read:
"Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of thirty million one hundred fifty-six thousand dollars ($30,156,000) for the 2003-2004 fiscal year and the sum of thirty million one hundred fifty-six thousand dollars ($30,156,000) for the 2004-2005 fiscal year shall be allocated as prescribed by"; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALU-13 [v.5]

SIGNED Jan Farmer-Butterfield
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

5:36

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 37
(to be filled in by
Principal Clerk)

H397-ALU-25 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Moore

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G9, item #81, by deleting the item; and

further moves to amend the Committee Report on page G5, item #49, by deleting the item; and

further moves to amend the Committee Report on page G7, item #63, by reducing the amount of the reduction allocated for the 2003-2004 fiscal year by eight million two hundred twenty-three thousand dollars ($8,223,00), and by reducing the amount of the reduction allocated for the 2004-2005 fiscal year by seven million twenty-three thousand dollars ($7,023,000); and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALU-25 [v.1]

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

5:37

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

use (v.2) 0BB

AMENDMENT NO. 38
(to be filled in by
Principal Clerk)

H397-ALR-2 [v.1]

Date ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS30261-LH-3

Representative Daughtry

moves to amend the bill on page 4, line 55 by deleting that line;

and further moves to amend the bill on page 5, line 18 by inserting the following:

"**SECTION 2.2.(a1)** Of the funds appropriated in Section 2.1 of this act to the various State departments, agencies, and institutions, there shall be an across the board reduction in the amount of two and sixty-five hundredths percent (2.65%) in the 2003-2004 fiscal year and three and twenty hundredths percent (3.20%) in the 2004-2005 fiscal year, except that there shall not be any reductions in debt service payments.".

and by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

ROLL CALL VOTE

DATE 4-14-03

#38

35 YES 44 NO ____(TOTAL)

HB# ____
SB# ____

HOUSE STANDING COMMITTEE ON APPROPRIATIONS

YES	NO	MEMBER (last name)
___	✓	Baker, Chair
✓	___	Clary, Chair
___	✓	Crawford, Chair
___	✓	Earle, Chair
___	___	Grady, Chair
___	✓	Owens, Chair
___	✓	Sherrill, Chair
___	✓	Wright, Chair
___	✓	Adams
___	✓	Allen, B
___	✓	Allen, L
___	___	Allred
✓	___	Barbee
✓	___	Barnhart
___	✓	Bell
✓	___	Blust
___	✓	Bonner
✓	___	Bowie
✓	___	Church
___	✓	Coates
___	✓	Cole
✓	___	Culp
✓	___	Daughtridge
✓	___	Daughtry
___	✓	Dickson
___	___	Dockham
___	✓	England
___	✓	Farmer-Butterfield
___	✓	Fox
✓	___	Frye
✓	___	Gillespie
___	✓	Goforth
___	✓	Goodwin
✓	___	Gorman
✓	___	Gulley
___	✓	Hackney
___	✓	Haire
___	✓	Hall
___	✓	Harrell
✓	___	Hilton
___	___	Holmes
___	___	Hunter
___	✓	Insko
___	✓	Jeffus
___	✓	Johnson, C
✓	___	Johnson, L
✓	___	Justice, C.H.
✓	___	Justus
✓	___	Kiser
✓	___	LaRoque

19

___	✓	Lucas
___	✓	McAllister
___	✓	McComas
✓	___	McHenry
___	✓	McLawhorn
___	___	McMahan
___	✓	Michaux
___	✓	Miller
✓	___	Mitchell
✓	___	Moore
___	___	Nesbitt
___	✓	Nye
___	✓	Parmon
✓	___	Pate
✓	___	Preston
___	✓	Rapp
✓	___	Ray
✓	___	Rhodes
✓	___	Sauls
___	✓	Saunders
✓	___	Sexton
✓	___	Stam
___	✓	Stiller
___	___	Sutton
___	✓	Tolson
✓	___	Walend
___	___	
___	___	
___	___	

✓	___	Walker
___	✓	Warner
___	✓	Warren
✓	___	West
___	✓	Williams, A.
✓	___	Williams, K.
✓	___	Wilson
___	✓	Yongue
___	___	
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Ex officio Members

___	___	Brubaker
___	✓	Cunningham
___	✓	Culpepper
✓	___	Eddins

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 39
(to be filled in by
Principal Clerk)

H397-ALU-19 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Clary

moves to amend the bill on page 94, line 52, by adding the following new provision to read:

"Requested by: Representative Clary

CHILD WELFARE SYSTEM PILOTS SYSTEM

SECTION 10.56.(a) The Department of Health and Human Services, Division of Social Services, shall continue working with local departments of social services, to implement an alternative response system of child protection in no fewer than 10 and no more than 33 demonstration areas in this State. The Division of Social Services may exceed the maximum number of demonstration areas, if a county specifically requests inclusion and the Division determines that resources are available. The demonstration projects in place in the 2003-2004 fiscal year shall continue. The alternative response system shall provide for a family-centered approach to child protective services which local departments of social services utilize family assessment tools and family support principles when responding to selected reports of suspected child neglect and dependency.

SECTION 10.56.(b) The Department of Health and Human Services shall evaluate the original pilot demonstration areas to determine the impact the alternative response system to child protective services has had in the following areas:

(1) Child safety.
(2) Timeliness of response.
(3) Timeliness of service.
(4) Coordination of local human services.

SECTION 10.56.(c) The Department of Health and Human Services shall proceed to expand this demonstration project if non-State funds are identified for this purpose.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALU-19 [v.2]

SECTION 10.56.(d) The Department of Health and Human Services shall report on the outcome of the evaluation of the original pilot demonstration areas pursuant subsection (b) of this section and the expansion of the demonstration areas. The Department shall make recommendations for statewide implementation of an alternative response system to child protective services. The report shall include any statutory changes required for full implementation. Any recommendations for statutory changes contained in the report shall be eligible for consideration by the 2003 General Assembly in the 2004 Regular Session. The report shall be submitted to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division not later than April 1, 2004.".

SIGNED Debbie A. Clary
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

5:40

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 40
(to be filled in by
Principal Clerk)

H397-ALR-3 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS30261-LH-3

Representative Yongue

moves to amend the bill on page 23, lines 23-35, by deleting those lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 41
(to be filled in by
Principal Clerk)

H397-ALE-8 [v.6]

Date April 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative McHenry

moves to amend the committee report on page F6, by adding a new item to read:

"**40 Additional Non-Resident Tuition Increase** ($3,000,000) R ($3,000,000) R
The Board of Governors shall increase the nonresident tuition rate by an additional 1.2%.";

and on page F10, by adding a new item to read:

"**72 Occupational Continuing Education Funds** $3,000,000 R $3,000,000 R
Enables the State Board to target highly strategic occupational continuing education course offerings for full parity funding. Courses eligible for full funding are those that train individuals in preparation for recognized certifications or licensures in occupations of high priority for workforce development in the following categories:
(1) Telecommunication, information and biotechnology,
(2) Safety, health, and emergency,
(3) Trades and technical programs, and
(4) Service, managerial, and professional.
The State Board, after consultation with the Fiscal Research Division, shall determine the best method of allocation for these funds.";

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 41
(to be filled in by
Principal Clerk)

H397-ALE-8 [v.6]

and by changing the totals in the report accordingly; and

moves to amend the bill on page 2 , lines 6 and 8 by changing the totals on lines 6 and 8 accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 42
(to be filled in by
Principal Clerk)

H397-ALE-20 [v.3]

Date April 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative McHenry

moves to amend the committee report on page F10, by adding two new items to read:

"72 **Additional Non-Resident Tuition Increase**	($650,000) R	($650,000) R
Increases non-resident tuition by an additional 5%. Non-resident students will pay $207 per credit hour up to 16 hours per semester.		
73 Occupational Continuing Education Funds	$650,000 R	$650,000 R

Enables the State Board to target highly strategic occupational continuing education course offerings for full parity funding. Courses eligible for full funding are those that train individuals in preparation for recognized certifications or licensures in occupations of high priority for workforce development in the following categories:

(1) Telecommunication, information and biotechnology,
(2) Safety, health, and emergency,
(3) Trades and technical programs, and
(4) Service, managerial, and professional.

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 42
(to be filled in by
Principal Clerk)

H397-ALE-20 [v.3]

The State Board, after consultation with the Fiscal Research Division, shall determine the best method of allocation for these funds.";

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:14

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 43
(to be filled in by
Principal Clerk)

H397-ALH-7 [v.2]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]
H397-CSLH-3

Representative Hackney

moves to amend the bill on page 96, lines 45-50,
by deleting those lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:15

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 44
(to be filled in by Principal Clerk)

H397-ALU-27 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Michaux

moves to amend the bill on page 85, lines 24 through 26, by rewriting those lines to read:

"**SECTION 10.38.(j)** The North Carolina Partnership for Children, Inc., shall develop a plan to incorporate a penalty into a local partnership's allocation based upon poor audit results.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:16

Withdrawn

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 445
(to be filled in by
Principal Clerk)

H397-ALU-26 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Allred

moves to amend the House Appropriations Committee Report on the Continuation, Expansion, and Capital Budgets dated April 14, 2003, on page G5, item # 49, by deleting that item; and

further moves to amend the Committee Report on page G3, item # 20 by increasing the amount of the reduction allocated for that item in each fiscal year by three hundred seventy-seven thousand dollars ($377,000) in each fiscal year; and

further moves to amend the Committee Report by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:17

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 46
(to be filled in by
Principal Clerk)

H397-ALU-28 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Bowie

moves to amend the bill on page 76, lines 52 through 55, by deleting the underlined language on those lines.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:18

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 47
(to be filled in by
Principal Clerk)

H397-ALU-31 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Insko

moves to amend the bill on page 85, lines 21 through 23, by deleting those lines; and

further moves to amend the bill on page 85, lines 24 through 31, by re-designating the appropriate subsections accordingly.

SIGNED Verla Insko
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

679

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 48
(to be filled in by
Principal Clerk)

H397-ALU-29 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Insko

moves to amend the bill on page 83, line 39, by rewriting the line to read:
"average statewide basis for all local partnerships, not more than eight percent (8%) of".

SIGNED Vella Insko
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:20

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 49
(to be filled in by
Principal Clerk)

H397-ALU-30 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Insko

moves to amend the bill on page 85, lines 16 through 18, by deleting those lines and substituting the following:

"**SECTION 10.38.(g)** For the 2003-2004 fiscal year, the local partnerships shall spend an amount for child care subsidies that provides at least fifty-two million dollars ($52,000,000) for the TANF maintenance of effort requirement and the Child Care Development Fund and Block Grant match requirement.".

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6.21

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 50
(to be filled in by
Principal Clerk)

H397-ALY-4 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Clary

moves to amend the bill on page 93, line 47,
by deleting "resident." and substituting "resident unless adjusted by the Department in accordance with subsection (f) of this section."; and

further moves to amend the bill on page 93, line 53,
by adding after the word "resident." a new sentence to read: "The standard of need level for coverage eligibility under State/County Special Assistance, for individuals not enrolled or recipients of the program on September 30, 2003, shall be not less than one thousand ninety-one dollars ($1,091) per month per individual, but the monthly reimbursement rate for such individuals shall be the amount established under subsections (c) and (f) of this section."; and

further moves to amend the bill on page 94, line 7,
by adding on the line the following:

"**SECTION 10.52.(f)** Notwithstanding any other provision of this section, the Department of Health and Human Services shall review activities and costs related to the provision of care in adult care homes, and shall 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. As determined, and with any necessary approval from the Centers for Medicare and Medicaid Services (CMS), and the approval of the Office of State Budget and Management, the Department may transfer necessary funds from the State/County Special Assistance program within the Division of Social Services, to the Division of Medical Assistance and may use those fund as State match to draw down federal matching funds to pay for such activities and costs under Medicaid's personal care

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALY-4 [v.1]

services for adult care homes (ACH-PCS), thus maximizing available federal funds. The established rate for State/County Special Assistance set forth in subsection (c) of this section shall be adjusted by the Department to reflect any transfer of funds from the Division of Social Services to the Division of Medical Assistance, and related transfer costs and responsibilities from State/County Special Assistance to the Medicaid personal care services for adult care homes (ACH-PCS). Such rate adjustments to the Special Assistance rate shall be effective with the effective date of increased reimbursement under ACH-PCS. In no event shall the reimbursement for services through the ACH-PCS exceed the average cost of such services as determined by the Department from review of cost reports as required and submitted by adult care homes. The Department shall report any transfers of funds and modifications of rates 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."; and

further moves to amend the bill on page 92, line 47,
by inserting after the words "case manager." the following:
"For state fiscal year 2003-2004, qualified individuals shall not receive payments at rates less than they would have been eligible to receive in State fiscal year 2002-2003.".

SIGNED Debbie A. Clary
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:22

Withdrawn

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 51
(to be filled in by
Principal Clerk)

H397-ALN-10 [v.5]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative Farmer-Butterfield

moves to amend the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, on page G8, item #67, by deleting the item; and

further moves to amend the House Appropriations Committee Report on the Continuation, Expansion and Capital Budgets, dated April 14, 2003, on page G7, item #63, by increasing the reduction allocated on that line by two million one hundred eighty-five thousand one hundred sixty-six dollars ($2,185,166) for the 2003-2004 fiscal year and by nine million two hundred fifty-eight thousand six hundred fifty-three dollars ($9,258,653) in the 2004-2005 fiscal year; and

further moves to amend the bill on page 68, lines 9 through 11, by rewriting the lines to read:
"Human Services for Medicaid programs pursuant to G.S. 143-23.2, the sum of thirty-two million one hundred eighty-five thousand one hundred sixty-six dollars ($32,185,166) for the 2003-2004 fiscal year and the sum of thirty-nine million two hundred fifty-eight thousand six hundred fifty-three dollars ($39,258,653) for the 2004-2005 fiscal year shall be allocated as prescribed by"; and

further moves to amend the bill on page 66, lines 4-5, by deleting "one hundred fifty percent (150%)" and substituting "one hundred eighty-five percent (185%)"; and

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 57
(to be filled in by
Principal Clerk)

H397-ALN-10 [v.5]

further moves to amend the bill and the Committee Report by adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

6:25

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 52
(to be filled in by
Principal Clerk)

H397-ALY-3 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative England

moves to amend the bill on page 78, lines 5-10, by rewriting those lines to read:

"(3) A ~~six dollar ($6.00) fee for each outpatient prescription drug purchased;~~ ten dollar ($10.00) fee for each outpatient brand name prescription drug for which there is a generic equivalent available unless the cost to the State for the brand name prescription drug is less than the generic equivalent or the prescriber has determined, at the time the drug is prescribed, that the brand name prescription drug is medically necessary and has written on the prescription order the phrase 'medically necessary.' The fee for any other outpatient prescription drug is one dollar ($1.00)."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 52
(to be filled in by Principal Clerk)

H397-ALY-3 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative England

moves to amend the bill on page 78, lines 5-10, by rewriting those lines to read:

"(3) A ~~six dollar ($6.00) fee for each outpatient prescription drug purchased;~~ ten dollar ($10.00) fee for each outpatient brand name prescription drug for which there is a generic equivalent available unless the cost to the State for the brand name prescription drug is less than the generic equivalent or the prescriber has determined, at the time the drug is prescribed, that the brand name prescription drug is medically necessary and has written on the prescription order the phrase 'medically necessary.' The fee for any other outpatient prescription drug is one dollar ($1.00)."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 53
(to be filled in by
Principal Clerk)

H397-ALE-21 [v.1]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS

Representative Frye

moves to amend the committee report on page F8, Item 57, by increasing the reduction by $200,000; and

on page F10, by adding a new item to read:

"**Caldwell CC & TI Teacher Training Center** $200,000 NR
Provides a one-time grant-in-aid to Caldwell Community College and Technical Institute for the Teacher Training Center."

SIGNED Phillip D. Frye
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 54
(to be filled in by
Principal Clerk)

H397-ALD-1 [v.4]

Date April 14 ,2003

Comm. Sub. [YES]
Amends Title [NO]
H397-PCS30261-LH-3

Representative McHenry

moves to amend the bill on page 99, lines 21 and 22, by adding between those lines the following:
"Requested by: Representative McHenry
ELIMINATE TWO DWQ POSITIONS
SECTION 11.9.(a) One Environmental Specialist III (Position number 4330-0000-0031-791) and one Environmental Biologist Supervisor II (Position number 4330-0000-0031-575) in the Division of Water Quality of the Department of Environment and Natural Resources are eliminated.
SECTION 11.9.(b) This section becomes effective June 30, 2003."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 55
(to be filled in by
Principal Clerk)

H397-ALU-32 [v.5]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
First Edition

Representative Clary

moves to amend the bill on page 81, line 30, by adding the following new provision to read:

"Requested by: Representative Clary

ELIMINATE HOME HEALTH PURCHASE OF CARE PROGRAM

SECTION 10.33A. The Department of Health and Human Services, Division of Public Health, shall eliminate the Home Health Purchase of Care Program and transfer three million one thousand two hundred fifty-three dollars ($3,001,253) from the Division of Public Health's budget to the Division of Medical Assistance. These funds and any additional administrative funds identified by closing this program shall be used only to maximize federal Medicaid matching funds for Home Care Personal Care Services. Funds realized from this transfer shall not be used to supplant State funds appropriated for Home Care Personal Care Services."; and

further moves to amend the bill by adjusting the appropriate totals accordingly.

SIGNED Debbie Clary
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 56
(to be filled in by
Principal Clerk)

H397-ALH-4 [v.1]

Date _____,2003

Comm. Sub. [NO]
Amends Title [NO]
H397-PCS30261-CSLH-3

Representative Crawford

moves to amend the bill on page 4, lines 47 and 48,
by rewriting those lines to read:

"Highway Trust Fund Transfer	252,422,125	231,774,330
Highway Fund Transfer	16,379,000	16,166,400"; and

Moves to amend the Money Report on page K4, Item 18,
In the text of that item, by deleting "$205.06" and substituting "$250.06"; and

By adjusting the appropriate totals accordingly.

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 397

AMENDMENT NO. 57
(to be filled in by Principal Clerk)

H397-ALR-4 [v.2]

Date _____,2003

Comm. Sub. [YES]
Amends Title [NO]
PCS30261-LH-3

Representative Blust

moves to amend the Money Report on page G7, item 63,
by rewriting the item to read:

"63 Medicaid Reserve Funds	($30,525,000)	(30,000,000)
Transfers funds from the G.S. 142-23.2 reserve to support current services and to reduce appropriations.		

and further moves to amend the Money Report on page G8, by inserting the following:

"68A Medicaid Fraud Software	$525,000
Funds a pilot for acquisition of software to detect Medicaid provider fraud.	

and further moves to amend the bill on page 79, line 28, by inserting the following:

"SECTION 10.29A.(a) The Department of Health and Human Services shall identify software available to improve the Department's detection of Medicaid fraud and shall contract with a software consultant to test, on a pilot basis, the software's effectiveness in detecting Medicaid provider fraud. The Department shall consider SAS, Inc., and other suitable information technology providers as a source for the software and consulting services to conduct the pilot. The pilot test shall focus on professional services claims under the Medicaid program and shall produce analytic reports that highlight episodes of care and enable the Department to perform more detailed and in-depth data mining and analysis than is currently being conducted. In order to promote maximum effectiveness of the software being tested, the Department shall establish a robust data mining system to review dynamic episodes of care and shall provide the software consultant with access to between one and three years of paid claims' data and

to both an eligibility file and a recipient history file. A contract or agreement between the Department and the software consultant shall provide for protecting the confidentiality of all confidential data to which the software consultant may have access.

SECTION 10.29A.(b) The Department of Health and Human Services, Division of Medical Assistance, shall implement the pilot test of fraud detection software not later than October 1, 2003, and shall report on the status and results of the pilot to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division on or before December 1, 2003, and again on April 1, 2004. The Department shall make recommendations to the General Assembly upon its convening on the effectiveness of the software pilot tested, anticipated savings to be realized from the purchase of the software for systemwide use, and the amount of funds needed to purchase the software.

SECTION 10.29A.(c) Of the funds appropriated to the Department of Health and Human Services the sum of five hundred twenty-five thousand dollars ($525,000) for the 2003-2004 fiscal year shall be used to implement this section. Of these funds, the Department may use up to seventy-five thousand dollars ($75,000) for the pilot test of the software and consulting services. If, upon completion of the pilot test, the Secretary finds that the software used in the pilot is successful in identifying Medicaid fraud and that application of the software to the full Medical Assistance Program will result in substantial savings to the Program and the State, the Department shall use up to four hundred fifty thousand dollars ($450,000) of the funds appropriated

NORTH CAROLINA GENERAL ASSEMBLY
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House Bill 397

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H397-ALR-4 [v.2]

in this section to purchase the software and contract for consulting services to apply the software technology to the full Medical Assistance Program."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 397 DATE April 14, 2003

S. B. No. _____ Amendment No. 58
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE ✓

(Rep.) Barnhart and Nye
Sen.)

moves to amend the bill on page 11, line 6

( ) WHICH CHANGES THE TITLE

by reducing the amount of the allocation for that item by one hundred eighty thousand dollars ($ 180,000); and

further moves to amend the bill on page 11, line 22, by adding a new item to read:

"21. Individual Development Accounts 180,000.".

SIGNED Jeff Barnhart, Ed Nye

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

VISITOR REGISTRATION SHEET

Appropriations — April 14, 2003
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Carl W. Hodges	NC Coalition of Farmers & Rural Families
JERRY HARDESTY	Food Banks
Ernestine Dunham	Executive Intern - Fiscal Research
DON HOBART	DOC
Robin Pasquarello	Commerce
Travis Poppen	Marvin Taylor
Abdel Rahman	ACCD
Devon White	PENC
Wren Markham	NC Ports
Angie Harris	Marvin Taylor
Tom Sr	NCDMA
Andy Ellen	NCDMA
Willie Riddick	DOR
WALLACE WILSON	NCHA
Jan Mitchell	Novartis
Robert Wilson	SOS
	Ins. Co.
Leonard	NEMSC
Kevin Fitzgerald	UNC
Adele Faraone	Environ Scientists
CL Culpepper	UCPNC C2001
Bob Weeks	EMC/PKMS
Dan	NCSTA

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Evelyn Lewsbourne	ETHGR
Steve Hoffman	NCSBA
VL McBride	NCOA
Gene Causby	NCSCA
Roger Bone	Bode & Assoc
Carol Hunter	EGHS
Stacy Flannery	NCHCPA
Tim Moore	NCICU
Teri Allen	BEGINNINGS
Jon Mills	NCAHEC
James	JDAL, PA
M. Lewis	GSK
Brady	Abbott
Cindy Hoffman	NCCIU
Mary Young	UIF
Bruce Thompson	PRTAR POB
Cissy Porter	Smith Anderson
Ann McHorne	NCMS
Ed Regan	NCACC
Katherine Joyce	NCASA
Oliver Morris	Public Sch Forum
Linda Raglone	APPCNL
Jim Kapp	SBE
Philip Price	NCDPI
Elisa Wicker	AOC
Joanne Scharer	Retirement
Pam Deardorff	Retirement

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Marshall Barnes	Dept of State Treasurer
Vicky Young	ASA
Wesley Taylor	NCGA
Kabri Barsness	NCDENR
Julie White	NC State Treasurer
John McLawhorn	NC State Treasurer
John McKee	COG OFFICE
J. C. Lawson	N.C. Retired personnel
Frieda H Hammond	NC Retired Govt Emp Assn
MIKE BARHAM	STATE TREASURER
Donna Rosefield	DCR
Ronnie Vance	DCR
Pam young	DCR
Henry Gibson	NCCCJ
DAVID BARNES	Poyner Spruill
DANNY MCGUIRE	ITS
Kenny Lineberry	ITS
Kim Hibbard	NCLM
Lu Ann Coe	NCPA
BRIAN SHANK	ASTRAZENECA
Glenn Wells	HOFFMANN-LA ROCHE
Dr. Jim VIGEN	NC SYNOD office of Advocacy
Richie Street	FPS DU
Bill Rustad	[illegible]
Ron Smith	NC Child Care Coalition
Ken Melton	Alley Associates
Barbara Carden	MFSS

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Fleming	University System NC
[illegible]	CFTF
Don Bennett	CFTF
Horace Webb	New Millennium
Andy Willis	NC State
Jamie Ramquist	NCATA
[illegible]	Parker, Poe, Adams & Bernstein LLP
[illegible] McLawhorn	OSC
Linda Lewis	NCIMED
Carolyn Ingram	NCACDC
Jeff Davis	UNC
Rob Nelson	UNC
Clara Kay	NCDA&CS
Martha Glass	NCDA&CS
Mike Blanton	NCDA&CS
Carolyn McKenney	NCHE
John Holleman	NCAE
Michael Houser	NCAE
Audrey A. Galloway	Strategic Influences, Inc.
Michelle Frazier	NC Bar Ass'n
Tamara Jones	Lt. Governor Perdue
[illegible]	Capitol Group
Wayne Stallings	NCDOT
Tracy Little	NCDOC
Johnny Gantt	OSBM
Jane Smith	DENR
Pam Richardson	OSBM

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Wayne Williams	State Budget Office
Greg Piner	" " "
Whitney Oprq	OSBM
Thomas Cheek	OSBM
David Brown	OSBM
Jim Newell	OSBM
Carl Byrd	OSBM
Byron Harris	OSBM
Nikki Beyer	Intern
Trey O'Quinn	OSBM
Anne Bamber	OSBM
Elizabeth Hrivnatech	OSBM
Sally Hunter	OSBM
Joel Harper	NBCE
Laura Harper	SEANC
Avis Watkins	SEANC
[illegible]	CCPS
[illegible]	CCPS
Gene Milloy	DOA
BOB HAVELY	PRESIDENT BUSINESS AC
Shawn Matthews	DOT
Stan Wall	CCNL
Betsy Bailey	NC Public Transportation
Colleen Kochanek	Hafer; Caldwell, P.A.
Abby Emanuelson	NMSS

VISITOR REGISTRATION SHEET

Name of Committee | Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[illegible]	NC Statewatch
[illegible]	The ARC
Paula A Hoy.	Covenant w/NC's Children
[illegible] Pinson	NCCAT
Elaine Meyer	NC Justice CTR
R. PARAW	NC Justice CTR
James D. Smith	UNC
[illegible]	NC ACDSS
[illegible]	TNC
[illegible]	nursing /NCCASA
Hal Miller	NCALCT
[illegible]	JP Hood
[illegible]	[illegible] Associates
[illegible]	Astra Zeneca
[illegible]	WBTI Day
[illegible]	APPCNC
Ken Howell	Governor's Office
[illegible]	NCASA
[illegible]	OSC
Beth Melcher	NAMI NC
[illegible]	Gov. Affairs
[illegible]	DENR
J Quiller-Morgan	OSBM
[illegible]	AHA
Sue Ruth	NCPC
Joyce Ross	NCPC
A. SOHARI	NCPC - SMART START
ITN URE	DUNS

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Monday, June 9, 2003**

TIME: **4:30 p.m.**

LOCATION: **643 LEGISLATIVE OFFICE BUILDING**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **11:30 am** on **June 5, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

CORRECTED NOTICE

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2003-2004 SESSION

You are hereby notified that the Committee on **APPROPRIATIONS** will meet as follows:

DAY & DATE: **Monday, June 9, 2003**

TIME: **5:00 p.m.**

LOCATION: **544 LEGISLATIVE OFFICE BUILDING** **Note Rm Change**

The following bills will be considered (Bill # & Short Title & Bill Sponsor):

HB 150 ESTABLISH STATE EDUCATION GRANTS
HB 684 PSYCHIATRIC HOSPITAL FINANCING
SB 714 COMPENSATION/PUBLIC SCHOOL EMPLOYEES/ACTIVE DUTY
SB 912 SEXUAL BATTERY
HB 1019 I-40 US VETERANS MEMORIAL HWY
HB 1232 FOOD SAFETY & SECURITY FUNDS
HB 1245 PROVIDE AN ANNUAL INCREMENT TO ALL TEACHERS
HB 815 DETOX FACILITIES NOT SUBJECT TO CON

Respectfully,

Representatives Baker, Clary, Crawford, Earle,
Grady, Owens, Sherrill, and Wright
Co-chairs

I hereby certify this notice was filed by the committee clerk at the following offices at **3:00 pm** on **June 5, 2003**.

___Principal Clerk
___Reading Clerk - House Chamber

Linda Winstead (Committee Assistant)

ATTACHMENT I

STATE OF NORTH CAROLINA
NORTH CAROLINA GENERAL ASSEMBLY
RALEIGH, NORTH CAROLINA 27601

HOUSE APPROPRIATIONS COMMITTEE MEETING AGENDA
June 9, 2003
544 LOB
5:00 pm

Rep. Wilma Sherrill and Rep. Bill Owens, Presiding

Chairman's Comments

Bills

HB 79	**DNA REGISTRY** **Rep. Alexander**
HB 150	**ESTABLISH STATE EDUCATION GRANTS** **Reps. Owens and Stam**
HB 684	**PSYCHIATRIC HOSPITAL FINANCING** **Reps. Crawford, G. Allen, Fox, and Luebke**
HB 815	**DETOX FACILITIES NOT SUBJECT TO CERTIFICATE OF NEED** **Rep. Alexander**
HB 1019	**I-40 U.S. VETERANS MEMORIAL FREEWAY** **Rep. Allred**
HB 1232	**FOOD SAFETY & SECURITY FUNDS** **Rep. Hill**
HB 1245	**PROVIDE AN ANNUAL INCREMENT TO ALL TEACHERS** **Rep. Fox**
SB 714	**COMPENSATION/PUBLIC SCHOOL EMPLOYEES/ACTIVE DUTY** **Sen. Hartsell**
SB 912	**SEXUAL BATTERY** **Sen. Clodfelter**

Adjourn

Minutes
House Appropriations Committee
Monday, June 9, 2003
5:00pm – 544 LOB

The House Appropriations Committee met on Monday, June 9, 2003 at 5:00 p.m. in Room 544 of the Legislative Office Building. Seventy-one committee members were present.

The meeting was co-chaired by Representative Bill Owens and Representative Wilma Sherrill. The purpose of the meeting was to consider bills per attached agenda (ATTACHMENT I). Chair Sherrill called the meeting to order.

Chair Sherrill recognized Representative Martha Alexander, bill sponsor, to explain House Bill 79, A BILL TO BE ENTITLED AN ACT TO REQUIRE THAT A DNA SAMPLE BE TAKEN FROM ANY PERSON CONVICTED OF ANY FELONY OR CERTAIN OTHER CRIMINAL OFFENSES OR WHO IS FOUND NOT GUILTY BY REASON OF INSANITY OF ANY FELONY OR CERTAIN OTHER CRIMINAL OFFENSES, TO CLARIFY WHEN THAT SAMPLE IS TAKEN, AND TO RESTRICT THE RELEASE OF INFORMATION FROM THE DNA DATABASE (ATTACHMENT II). Representative Alexander asked Chloe Gossage of the Fiscal Research Division to review the Fiscal Note on the bill (ATTACHMENT III). Representative Robert Grady moved to give the bill a favorable report, motion passed.

Representative Bill Owens, bill sponsor, was recognized by Chair Sherrill to explain House Bill 150, A BILL TO BE ENTITLED AN ACT TO PROVIDE CRITERIA FROM AWARDING STATE GRANTS TO STUDENTS ATTENDING CERTAIN ACCREDITED INSTITUTIONS OF HIGHER EDUCATION (ATTACHMENT IV). A copy of the Fiscal Note for HB150 is attached (ATTACHMENT V). Representative Ray Rapp asked to be excused from voting on House Bill 150 because of his association with an institution of higher education. A motion to give the bill a favorable report was made by Representative John Sauls and the motion passed.

Chair Sherrill recognized Representative Jim Crawford, bill sponsor, to explain House Bill 684, A BILL TO BE ENTITLED AN ACT TO PROVIDE A STATUTORY FRAMEWORK FOR THE FINANCING OF CAPITAL FACILITIES BY THE STATE AND TO AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS TO FINANCE THE CONSTRUCTION OF A NEW PSYCHIATRIC HOSPITAL TO BE LOCATED IN BUTNER (ATTACHMENT VI). Members were provided a copy of the Fiscal Note for HB684 (ATTACHMENT VII). Representative Crawford offered a technical amendment to the bill, and without objection, was adopted. (ATTACHMENT VIII). Representative Crawford made a motion to roll the amendment into a new committee substitute with a favorable report to committee substitute #2 and unfavorable to committee substitute #1. Motion carried.

Representative Martha Alexander, bill sponsor, was recognized by Chair Owens to explain House Bill 815, A BILL TO BE ENTITLED AN ACT TO AMEND THE DEFINITION OF CHEMICAL DEPENDENCY TREATMENT FACILITY TO PROVIDE THAT SOCIAL SETTING DETOXIFICATION FACILITIES AND MEDICAL DETOXIFICATION FACILITIES ARE NOT CHEMICAL DEPENDENCY TREATMENT FACILITIES FOR THE PURPOSES OF CERTIFICATE OF NEED REQUIREMENTS AND TO AMEND THE DEFINITION OF CHEMICAL DEPENDENCY TREATMENT BED TO PROVIDE THAT BEDS LICENSED FOR DETOXIFICATION ARE NOT CHEMICAL DEPENDENCY TREATMENT BEDS FOR THE PURPOSES OF CERTIFICATE OF NEED REQUIREMENTS (ATTACHMENT IX). A copy of the Fiscal Note on HB815 was provided the committee members (ATTACHMENT X). Representative Thomas Wright moved that the bill receive a favorable report and the motion carried.

House Bill 1019, A BILL TO BE ENTITLED AN ACT TO DESIGNATE THE I-40 CORRIDOR IN NORTH CAROLINA AS THE U.S. VETERANS MEMORIAL HIGHWAY (ATTACHMENT XI), was not heard by the committee.

House Bill 1232, A BILL TO BE ENTITLED AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO IMPROVE FOOD SAFETY AND SECURITY (ATTACHMENT XII), was not heard by the committee.

House Bill 1245, A BILL TO BE ENTITLED AN ACT TO MODIFY THE TEACHER SALARY SCHEDULE TO ENSURE THAT ALL TEACHERS RECEIVE AN ANNUAL INCREMENT AND TO APPROPRIATE FUNDS FOR THAT PURPOSE (ATTACHMENT XIII), was not heard by the committee.

Chair Owens recognized Senator Fletcher Hartsell, bill sponsor, to explain Senate Bill 714, A BILL TO BE ENTITLED AN ACT TO ENSURE THAT PUBLIC SCHOOL EMPLOYEES DO NOT LOSE PAY WHILE THEY ARE ON MILITARY DUTY (ATTACHMENT XIV). A Fiscal Note was provided for this bill (ATTACHMENT XV). Representative Sherrill sent forth an amendment (ATTACHMENT XVI) and moved for its' adoption. The amendment was adopted. Representative Bernard Allen made a motion that the amendment be rolled into a House committee substitute for Senate Bill 714, with a favorable report to the House committee substitute #2 and unfavorable to House committee substitute #1. The motion carried.

Representative Joe Hackney was recognized to explain Senate Bill 912, A BILL TO BE ENTITLED AN ACT TO CREATE THE OFFENSE OF SEXUAL BATTERY (ATTACHMENT XVII). A copy of the Fiscal Note was provided to the committee members (ATTACHMENT XVIII). Representative Thomas Wright moved for a favorable report. Motion carried.

The meeting adjourned at 6:45 pm.

Respectfully submitted:

Bill Owens
Representative Bill Owens

Wilma M Sherrill
Representative Wilma Sherrill

Linda A. Johnson
Linda A. Johnson, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 79*

Committee Substitute Favorable 4/8/03

Short Title: DNA Registry. (Public)

Sponsors:

Referred to:

February 25, 2003

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THAT A DNA SAMPLE BE TAKEN FROM ANY PERSON CONVICTED OF ANY FELONY OR CERTAIN OTHER CRIMINAL OFFENSES OR WHO IS FOUND NOT GUILTY BY REASON OF INSANITY OF ANY FELONY OR CERTAIN OTHER CRIMINAL OFFENSES, TO CLARIFY WHEN THAT SAMPLE IS TAKEN, AND TO RESTRICT THE RELEASE OF INFORMATION FROM THE DNA DATABASE.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 15A-266.1 reads as rewritten:

"**§ 15A-266.1. Policy.**

It is the policy of the State to assist federal, State, and local criminal justice and law enforcement agencies in the identification, detection, or exclusion of individuals who are subjects of the investigation or prosecution of felonies or violent crimes against the person. Identification, detection, and exclusion is facilitated by the analysis of biological evidence that is often left by the perpetrator or is recovered from the crime scene. The analysis of biological evidence can also be used to identify missing persons and victims of mass disasters."

SECTION 2. G.S. 15A-266.4 reads as rewritten:

"**§ 15A-266.4. Blood sample required for DNA analysis upon conviction.**

(a) On or after ~~1 July 1994~~,December 1, 2003, a person who is convicted of any of the crimes listed in subsection (b) of this section or who is found not guilty of any of these crimes by reason of insanity shall have a DNA sample drawn upon intake to a jail or prison. In addition, every person convicted on or after ~~1 July 1994~~,December 1, 2003, of any of these crimes, or who is found not guilty of any of these crimes by reason of insanity, but who is not sentenced to a term of confinement, shall provide a DNA sample as a condition of the sentence. A person who has been convicted and incarcerated as a result of a conviction of one or more of these crimes prior to ~~1 July 1994~~ December 1, 2003, or who was found not guilty of any of these crimes by reason of insanity and committed to a mental health facility in accordance with G.S. 15A-1321

before December 1, 2003, shall have a DNA sample drawn before parole or release from the penal system.

(b) Crimes covered by this Article ~~include:~~include all of the following:

(1) All felonies.

~~G.S. 14-17 — Murder in the first and second degree.~~
~~G.S. 14-27.2 — First degree rape.~~
~~G.S. 14-27.3 — Second degree rape.~~
~~G.S. 14-27.4 — First degree sexual offense.~~
~~G.S. 14-27.5 — Second degree sexual offense.~~
~~G.S. 14-28 — Malicious castration.~~
~~G.S. 14-29 — Castration or other maiming.~~
~~G.S. 14-30 — Malicious maiming.~~
~~G.S. 14-30.1 — Malicious throwing of corrosive acid or alkali.~~
~~G.S. 14-31 — Malicious assault in secret manner.~~
~~G.S. 14-32 — Felonious assault with deadly weapon with intent to kill.~~

(2) G.S. 14-32.1 — Assaults on handicapped persons.
~~G.S. 14-34.1 — Discharging barreled weapon or firearm into occupied property.~~
~~G.S. 14-34.2 — Assault with firearm or other deadly weapon upon law enforcement officer, fireman, or EMS personnel.~~
~~G.S. 14-39(a)(3) — Kidnapping for the purpose of doing serious bodily harm to the person.~~
~~G.S. 14-49 — Malicious use of explosive or incendiary.~~
~~G.S. 14-58.2 — Burning of mobile home, manufactured type house, or recreational trailer home.~~
~~G.S. 14-202.1 — Taking indecent liberties with children.~~
~~G.S. 14-87 — Robbery with a dangerous weapon.~~

(3) G.S. 14-277.3 — Stalking.
~~G.S. 14-87.1 — Common law robbery.~~
~~G.S. 14-58 — First degree arson.~~"

SECTION 3. G.S. 15A-266.6 reads as rewritten:

"**§ 15A-266.6. Procedures for withdrawal of blood sample for DNA analysis.**

(a) Each DNA sample required to be drawn pursuant to G.S. 15A-266.4 from persons who are incarcerated shall be drawn at the place of incarceration. DNA samples from persons who are not sentenced to a term of confinement shall be drawn ~~at a prison or jail unit to be specified by the sentencing court.~~immediately following sentencing. The sentencing court shall order any person not sentenced to a term of confinement to report immediately following sentencing to the location designated by the sheriff. If the sample cannot be taken immediately, the sheriff shall inform the court of the date, time and location at which the sample shall be taken, and the court shall enter that date, time and location into its order. A copy of the court order indicating the date, time and location the person is to appear to have a sample taken shall be given to the sheriff. If a

person not sentenced to a term of confinement fails to appear immediately following sentencing or at the date, time and location designated in the court order, the sheriff shall inform the court of the failure to appear and the court may issue an order to show cause pursuant to G.S. 5A-15 and may issue an order for arrest pursuant to G.S. 5A-16.

(b) Only a correctional health nurse technician, physician, registered professional nurse, licensed practical nurse, laboratory technician, phlebotomist, or other health care worker with phlebotomy training shall draw any DNA sample to be submitted for analysis. No civil liability shall attach to any person authorized to draw blood by this section as a result of drawing blood from any person if the blood was drawn according to recognized medical procedures. No person shall be relieved from liability for negligence in the drawing of any DNA sample.

(c) The SBI shall provide to the sheriff the materials and supplies necessary to draw a DNA sample from a person not sentenced to a term of confinement. Any DNA sample drawn from a person not sentenced to a term of confinement shall be taken using the materials and supplies provided by the SBI."

SECTION 4. G.S. 15A-266.12 reads as rewritten:

"**§ 15A-266.12. Confidentiality of ~~records.~~records and samples.**

(a) All DNA profiles and samples submitted to the SBI pursuant to this Article shall be treated as confidential except as provided in G.S. 15A-266.8.

(b) Only DNA records that directly relate to the identification of individuals shall be collected and stored. These records shall not be used for any purpose other than to facilitate personal identification of an offender; provided that in appropriate circumstances such records may be used to identify potential victims of mass disasters or missing persons. Except as provided in G.S. 15A-266.8, records or samples shall not be released, without the consent of the subject of the DNA record or sample, to insurance companies, employers or potential employers, health providers, employment screening or personnel companies, agencies, or services, private investigation services, and may not be disclosed to any agency, authority, division, office, corporation, partnership, or any other private or public entity or person. Nothing in this section shall prohibit disclosure in response to a subpoena issued on behalf of the subject of the DNA record or sample."

SECTION 5. This act becomes effective December 1, 2003.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 79 (2nd Edition)

SHORT TITLE: DNA Registry

SPONSOR(S): Representative Alexander

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES *Anticipated federal grants will be paid directly to private vendors for analysis of convicted offender samples. Those analysis costs are excluded from the expenditures below.*					
EXPENDITURES					
DOC	$234,981	$326,648	$272,962	*$274,977 or less annually*	
DOJ recurring	$341,174	$666,253	$433,579	$305,017	$306,210
Nonrecurring*	$606,000	-	-	-	-
DHHS	$16	$2	$2	$2	$2
Local government	Exact amount cannot be determined, will vary by county				
POSITIONS (cumulative):					
DOC	9.0	9.0	7.0	7.0	*7.0 or less*
DOJ	5.0	5.0	5.0	5.0	5.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction (DOC), SBI Crime Lab, counties

EFFECTIVE DATE: December 1, 2003

This analysis assumes that all felony offenders in DOC prisons on December 1, 2003 will have DNA samples taken by December 1, 2004.

*The SBI will need to renovate or build additional lab space to accommodate DNA analysts. See technical considerations for a full discussion of nonrecurring costs.

BILL SUMMARY: Current law requires that a DNA sample be taken from offenders convicted of certain violent, assaultive, or sexual crimes. House Bill 79 would expand the pool of individuals required to supply a DNA sample to all convicted felons, as well as offenders convicted of assaults on handicapped persons or stalking. The bill would be effective July 1, 2003, and would apply to the specified population convicted on or after that date or convicted and incarcerated before that date, prior to parole or release. In addition, the bill would apply to individuals found not guilty by reason of insanity for the same offenses, regardless of whether the person is subsequently confined to a Department of Health and Human Services (DHHS) forensic unit. For individuals found not guilty by reason of insanity before July 1, 2003, the bill requires DNA analysis from these individuals prior to their discharge from a Forensic Unit.

The bill also requires the State Bureau of Investigation to continue its current practice of providing DNA sample collection kits for non-incarcerated felons and outlines procedures and time requirements for obtaining samples from those felons.

Please see technical considerations on page 5 for more detail.

ASSUMPTIONS AND METHODOLOGY:

The following table outlines the types of costs associated with HB 79:

New Task	Responsibility	Grants?
Convicted Felons		
Expand sample collection from presently incarcerated felons.	DOC Prisons - *One-time increase to current workload*	No
Expand sample collection from felons convicted on or after July 1.	DOC Prisons & DCC/local law enforcement* - *Increase to current workload*	No
Analyze samples from expanded number of convicted felons	SBI (outsource or in-house) - *Increase to current workload*	**Yes****
Upload additional convicted felon DNA into CODIS	SBI - *Increase to current workload*	No
Not Guilty by Reason of Insanity (NGRI) – felony offenses, stalking, assaults on handicapped		
Collect DNA samples from NGRIs prior to discharge from State psychiatric hospital.	DHHS Forensic Units – *New responsibility*	No
Collect DNA samples from NGRIs found not guilty on or after July 1.	DHHS Forensic Units – *New responsibility*	No
Analyze samples from NGRIs.	SBI – *Increase to current workload (new group, same analysis process)*	No
Create, maintain, and update DNA database for NGRIs.	SBI - *New responsibility*	No

***Local Impact:** Probation officers send offenders to local jails to obtain the DNA samples required under current law, and would probably continue to do so under HB 79. While the majority of offenders required to supply samples under current law receive active sentences, there would be a much greater pool of probationers required to provide samples under HB 79. (Please note: the bill does not require DNA samples from felons currently on probation/parole.)

****Federal Grants:** The National Institute of Justice offers grant funds to states to reduce the backlog of convicted offender DNA samples. Funds are available to states based on the size of their backlog, and cover most types of expenses, with the exception of personnel and physical space. The SBI uses this grant to outsource the analysis of convicted offender samples and to purchase supplies and equipment related to uploading these samples into CODIS. If HB 79 were to pass, the SBI anticipates that it would apply for, and receive, a larger grant amount for FY 2003-04 to cover the increase in the number of offender samples. It is possible that the SBI could obtain other NIJ grant funds to purchase analysis equipment.

Collection Costs

Current statute requires that DNA blood samples be drawn from certain convicted offenders. Each DNA blood sample is collected in a kit and mailed to the SBI crime lab. The SBI provides kits to county sheriffs free of charge, and we assume that it would continue to do so under HB 79. The cost to the SBI is $1.98 per kit, and sheriffs pay $0.50 to package and mail each kit. The Division of Prisons in the DOC uses its own kits, which cost $4.00 each, plus $0.50 to package and mail.

Prison Inmates: DOC Division of Prisons

The Department of Correction currently contracts with a vendor for phlebotomists to draw blood from inmates. However, new correctional healthcare standards will allow prison nursing staff to draw blood for DNA samples. These standards will become effective April 1, 2003. Thus, for new prison entries, current nursing staff will be able to take DNA samples during routine medical exams at the diagnostic centers. Nurses or contract phlebotomists must also visit individual prisons to take samples from current inmates. The Department anticipates the following expenses:

- 7 correctional officers (one per felon diagnostic center): $210,000 recurring
- 3,500 correctional officer hours (for current population): $60,000 - $79,000 nonrecurring
- 3,500 nurse/phlebotomist hours (for current population): $62,000 - $96,000 nonrecurring

New admissions: Using DOC population figures and applying a two percent growth rate,[1] we estimate that that, beginning in FY 2004-05, there will be approximately 12,200 new prison admissions requiring a DNA sample as a result of HB 79. This annual figure will gradually decline as former inmates and probationers re-enter the DOC system, leveling out at approximately one-sixth of new entries, or 2,100 plus a growth factor of two percent per year. The Department believes that it will also need seven additional correctional officers, one per felon diagnostic center, to maintain a constant view of the DNA samples for chain of custody, at a cost of $210,000 annually. As the number of admissions requiring a DNA sample decreases over time, these additional officers may become unnecessary.

Current population: For the current population of approximately 14,000 felons that will require DNA samples under HB 79, nurses or contract phlebotomists will need to visit individual prisons to draw the samples. In addition, there will be a need for correctional officers to supervise the sampling procedures and maintain control of the samples. The Department estimates that it would take 3,500 hours each for correctional officers and nurses to complete these samples. Using overtime, the Department estimates a cost of $95,800 for staff nurses and $79,000 for correctional officers; alternatively, contract phlebotomist costs would be between $62,000 and $89,000, depending on the contract negotiated, and two correctional officer positions would cost $60,000. These estimates are dependent on the speed with which the samples are taken, and assume that all 14,000 inmates will be sampled in 12 months.

[1] The Sentencing Commission's Forecasting Technical Advisory Group has predicted a two percent growth rate for felony convictions.

Probationers: Local Law Enforcement & SBI

The majority of offenders required to provide samples under current law serve active sentences. Increasing the requirement to all convicted felons would broaden the sampling pool to a greater number of offenders serving community or intermediate sentences. By statute, offenders required to provide DNA samples and sentenced to non-active sanctions must be tested at a jail or prison facility. In practice, probation officers refer offenders to the county jails for DNA sampling. Due to some disagreement over responsibility under current law, some probationers who are required to provide DNA samples do not in fact do so. This legislation would clarify that responsibility. ***The calculations in this section refer only to the probationers who are not required to provide samples under current law and would be required to provide samples under this legislation.***

Collection kits. The SBI provides DNA sample collection kits free to local law enforcement. The kits cost $1.98 each, for a total of approximately $39,000 per year in State costs, decreasing slightly in later years. County sheriffs pay $0.50 in postage per kit, for a cost of approximately $8,000 per year to counties.

Population. In 2002, there were 17,632 felony admissions to DCC programs. The Department estimates that approximately 1,399 entering probationers in 2002 were required to provide DNA samples under existing law. In actuality, DOC records indicate that only 316 of these offenders had provided DNA samples (some under prior convictions) and SBI records indicate that approximately samples from this group were submitted for analysis in 2002. *(See technical considerations.)* Under HB 79, all 16,584 untested probationers would have been required to provide samples. Assuming that all probationers required to submit a sample would in fact submit one, we estimate that HB 79 would increase the annual number of probationers tested by approximately 15,200. In later years, the number of probationers tested will decrease slightly to 13,000 or fewer (plus two percent growth per year) as felons who were previously tested reenter the system.

The full cost to local law enforcement has not been determined. It is possible that additional trained medical personnel would be needed in order to obtain the probationer DNA samples at the county jails. Some counties do not have full-time medical staff, and may depend on the local health departments or other agencies for medical services. However, the larger, urban counties would receive the bulk of these probationers, and it is also possible that the increased workload in each county will be small enough that it can be absorbed with existing personnel. The Sheriff's Association has indicated that county sheriffs can absorb these costs.

Not Guilty by Reason of Insanity: DHHS & SBI

The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services, within DHHS, operates a single statewide forensic unit at Dorothea Dix Psychiatric Hospital in Raleigh. The Division is planning to open a second forensic unit at Broughton Psychiatric Hospital in Morganton by FY 2005-06. Currently, the forensic unit at Dix Hospital houses 31 individuals who were found not guilty by reason of insanity. DHHS anticipates the number of residents to increase by 3 persons per year. This growth assumption is based on existing growth trends in the unit. Since the facilities are staffed with medical personnel, it appears that the cost to DHHS to collect and transmit DNA samples would be minimal. The SBI would supply collection kits and DHHS would be responsible for postage costs.

Analysis and Database Costs

The SBI crime lab is responsible for analyzing, storing, and entering DNA samples into the database. Currently, the lab sends DNA samples from convicted offenders to a private vendor, who analyzes the samples and returns them, along with an electronic copy of DNA profiles, to the lab. The SBI applies for grant funds from the National Institute of Justice annually; these funds are paid directly to the private vendor for analysis costs. The SBI lab maintains quality control by reanalyzing 5 percent of the samples. A computer analyst uploads the DNA profiles into the state and national Combined DNA Index System (CODIS).

The SBI has stated that it has little lab space remaining, and it will not be able to accommodate additional analysts in its existing, furnished lab space. If the SBI were to continue to outsource convicted felon DNA samples, it would require two molecular geneticist sworn agents, two evidence control technicians, and one computer analyst, with associated supplies, equipment, and training costs, to maintain quality control and upload the additional samples. The SBI can accommodate the required staff by renovating and equipping storage space in the lab. ***See technical considerations for further discussion of lab space.***

The sworn molecular geneticists would be trained to analyze samples, confirm and process CODIS hits, and write and serve search warrants to collect suspect samples based on CODIS hits. The SBI anticipates that, with the increase in DNA profiles in CODIS, these two positions will spend the majority of their time serving search warrants and collecting new samples to confirm CODIS hits. The evidence control technicians would run most of the quality control samples. The sworn molecular geneticists will require one year of training – six months at the SBI Academy for sworn agent training and six months in the lab for DNA analysis and CODIS training. The evidence control technicians will require six months of DNA analysis training.

Overall, under SB 79 the SBI would outsource approximately 43,300 additional DNA samples in FY 2003-04 and 30,000 additional DNA samples in FY 2004-05 and subsequent years, with an eventual reduction in the number of samples due to recidivism. The small number of DNA samples from individuals found not guilty by reason of insanity could be analyzed in-house along with the quality control samples, but the SBI would need to create and maintain a separate database of those DNA profiles, which cannot be uploaded into CODIS. The total estimated SBI analysis and database cost in FY 2002-03 is a little more than $1 million. The majority of these expenditures are nonrecurring – approximately $755,000 would be spent on renovation, equipment, and training. Annual costs after the first year would be around $305,000. The major expenditures are as follows:

- $516,000 (nonrecurring) to renovate laboratory space, including a water treatment system and autoclave, and $25,000 (recurring) to rent storage space for displaced supplies.
- $85,000 (nonrecurring) in equipment and software to conduct quality control analyses, upload DNA profiles into CODIS, and create and maintain a small database of DNA profiles from individuals found not guilty by reason of insanity.
- Approximately $60,000 annually, or between $32 and $48 per sample analyzed in-house for supplies and reagents for training (year 1), quality control, and NGRI sample analysis.
- $220,261 in salaries and benefits for five additional SBI staff, including two sworn agents.

SOURCES OF DATA: . Department of Justice, Department of Correction, NC Sheriff's Association, Administrative Office of the Courts.

TECHNICAL CONSIDERATIONS:

1. In order to begin checking and uploading DNA profiles, the SBI will need to build or renovate additional lab space, hire new analysts, and provide the analysts with six months of training. The effective date of this bill is July 1, 2003, and the lab would receive samples beginning shortly thereafter. The SBI will apply to the National Institute of Justice for grant funding based on the anticipated number of DNA samples. Once the application is approved, the SBI will begin sending DNA samples to NIJ-approved private vendors for analysis. If the SBI does not have trained analysts in place when the analyzed samples are returned from the private lab, there will be an immediate backlog of DNA profiles awaiting quality control and CODIS entry.

2. There have been several bills introduced that would affect the workload of the Molecular Genetics section of the SBI lab. SB 7, SB 11, HB 27, and HB 79 (this bill) would increase the number of convicted offender samples processed. SB 13, SB 28, and HB 154 would increase the number of rape kits analyzed. In anticipation of an increase in the number of DNA analyst positions to respond to this additional workload, the Department of Justice has proposed to build a new wing onto the existing SBI lab building. Preliminary cost estimates indicate capital construction costs of $3.6 million for an addition that would house 24 molecular geneticists and additional technical staff. If this wing were constructed, the SBI would not need to renovate the lab storage space to implement this bill. However, if the laboratory construction were approved, it would take at least one year to complete the addition, and another six months to train the new analysts.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Chloe Gossage and Jim Klingler

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 9, 2002

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
H.B. 79 A BILL TO BE ENTITLED AN ACT TO REQUIRE THAT A DNA SAMPLE BE TAKEN FROM ANY PERSON CONVICTED OF ANY FELONY OR CERTAIN OTHER CRIMINAL OFFENSES OR WHO IS FOUND NOT GUILTY BY REASON OF INSANITY OF ANY FELONY OR CERTAIN OTHER CRIMINAL OFFENSES, TO CLARIFY WHEN THAT SAMPLE IS TAKEN, AND TO RESTRICT THE RELEASE OF INFORMATION FROM THE DNA DATABASE.

☑ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 150

Committee Substitute Favorable 4/16/03

Short Title: Establish State Education Grants. (Public)

Sponsors:

Referred to:

March 3, 2003

A BILL TO BE ENTITLED

AN ACT TO PROVIDE CRITERIA FOR AWARDING STATE GRANTS TO STUDENTS ATTENDING CERTAIN ACCREDITED INSTITUTIONS OF HIGHER EDUCATION.

The General Assembly of North Carolina enacts:

SECTION 1. Part 5 of Article 1 of Chapter 116 of the General Statutes is amended by adding the following new section:

"**§ 116-43.5. State grants to aid eligible students attending certain private institutions of higher education; administrative procedure.**

(a) Definitions. – The following definitions apply in this section:

(1) "Institution" means a nonprofit educational institution with a main permanent campus located in this State that satisfies all of the following:

a. Is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof.

b. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association.

c. Awards a postsecondary degree as defined in G.S. 116-15.

d. Its students are not eligible for a similar State grant under another State program.

(2) "Main permanent campus" means a campus that is owned by the institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engage in postsecondary degree activity as defined in G.S. 116-15.

(3) "Student" means a person enrolled in and attending an institution located in the State (i) who qualifies as a resident of North Carolina in

accordance with definitions of residency that may from time to time be adopted by the Board of Governors of The University of North Carolina and published in the residency manual of the Board, and (ii) who has not received a bachelors degree, or qualified therefor, and who is otherwise classified as an undergraduate under such regulations as the Board of Governors of The University of North Carolina may promulgate. Qualification for in-State tuition under G.S. 116-143.3 makes a person a "student" as defined in this subdivision.

(b) Eligibility. – A student is eligible for a State grant under this section for an academic year if the student is a full-time North Carolina undergraduate student attending an institution as defined by this section and is not eligible for a similar State grant under another State program for the same academic year.

(c) Administration. – The State grants provided for in this section shall be administered by the State Education Assistance Authority pursuant to rules adopted by the State Education Assistance Authority not inconsistent with this section. The State Education Assistance Authority shall pay the State grant to each student eligible under this section. The amount of the grant shall be determined by the General Assembly. The State grant shall be paid to a student only after the student completes the academic year. The grant shall be paid directly to the student on or after July 1 following the completion of the academic year. The State Education Assistance Authority shall not remit any grant until it receives proper certification from an institution that the student applying for the grant is an eligible student.

(d) Shortfall. – In the event there are not sufficient funds to provide each eligible student with a full grant:

(1) The Board of Governors of The University of North Carolina, with the approval of the Office of State Budget and Management, may transfer available funds to meet the needs of the programs provided by this section; and

(2) Each eligible student shall receive a pro rata share of funds then available for the appropriate academic year within the fiscal period covered by the current appropriation.

(e) Reversion. – Any remaining funds shall revert to the General Fund.

(f) A State grant authorized by this act shall be reduced by twenty-five percent (25%) for any individual student who has completed 140 semester credit hours or the equivalent of 140 semester credit hours.

(g) The State grant shall not be used for any student who:

(1) Is incarcerated in a State or federal correctional facility for committing a Class A, B, B1, or B2 felony; or

(2) Is incarcerated in a State or federal correctional facility for committing a Class C through I felony and is not eligible for parole or release within 10 years."

SECTION 2. This act becomes effective July 1, 2003, and applies to the 2003-2004 academic year and each year thereafter.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 150 (1st Edition)

SHORT TITLE: Amend Leg. Tuition Grants

SPONSOR(S): Representatives Owens and Stam

FISCAL IMPACT

Yes (x) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
EXPENDITURES	$0	$450,000	$475,450	$503,500	$532,350
POSITIONS: (cumulative)	0	0	0	0	0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Legislative Tuition Grant Program

EFFECTIVE DATE: 2003-04 academic year, but not paid prior to July 1, 2004.

BILL SUMMARY: TO PROVIDE ALTERNATE CRITERIA FOR AWARDING LEGISLATIVE TUITION GRANTS TO STUDENTS ATTENDING ACCREDITED INSTITUTIONS OF HIGHER LEARNING. Adds new GS 116-25.1 to make legislative tuition grants available to certain institutions of religious instruction. Makes conforming changes to GS 116-21.3(d) and GS 116-21.4(b). Makes other technical changes. Effective July 1, 2003, and applies to the 2003-04 academic year and to each year thereafter.

ASSUMPTIONS AND METHODOLOGY: Used existing full-time equivalent student data (FTE) for the students attending the two Bible colleges or seminaries that would become eligible under this bill and projected a cumulative 3% enrollment growth per year. In addition, started with the existing $1800 Legislative tuition grant and assumed a $50 annual increase which follows the most recent historical budget trends for this program.

SOURCES OF DATA: NC State Education Assistance Authority

TECHNICAL CONSIDERATIONS: The students attending Roanoke Bible College and Southeastern Theological Seminary of Southeastern College have 45 and 205 full-time equivalent students, respectively, for this academic year.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Charlotte Todd



APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: April 7, 2003

Reps Starn + Allen

Wake County is the Best Site for a New Psychiatric Hospital

Patient Care Should be the Priority

Wake County has a significant number of highly qualified professionals to treat the patient population at the new psychiatric hospital. In January 2003, CMS found John Umstead Hospital (JUH) out of compliance based on a nursing vacancy rate of over 20%.

Step down programs and community alternatives are much stronger in Wake County than in either of the other sites. In particular, Wake County has more resources dedicated to the homeless. An average of four adults per month who are discharged from Dorothea Dix enter a Wake County homeless shelter or local adult care homes.

Evidence-based practice on quality patient care depends on support from patients' families and friends. Therefore, it is imperative that the new facility be in a central location.

Wake County is Centrally Located and Easily Accessible through a Variety of Methods of Transportation

Wake County is centrally located, particularly based on population. Twice as many people live within 30 miles of Raleigh (1,000,000), as there are within 30 miles of Butner (500,000). Many fewer people live within 30 miles of the Chatham site. Moreover, Raleigh is accessible by major interstate, train, bus, and the Triangle Transit Authority. Neither of the other sites offers this type of accessibility.

Wake County Lacks In-Patient Treatment for Adult Medicaid Patients

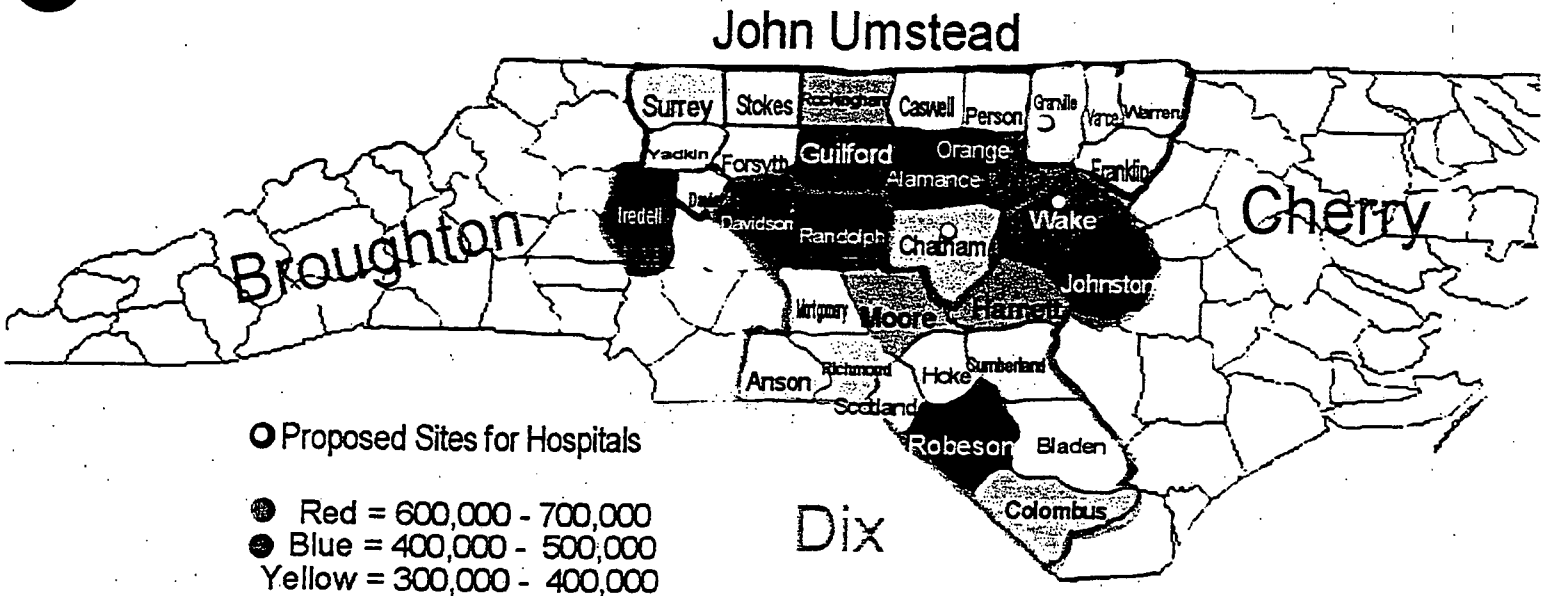
At present, no hospital in Wake County has adult Medicaid in-patient psychiatric beds. Due to the downsizing at Dorothea Dix, Wake County residents are placed away from their homes and families. Despite this lack of beds, Wake County has not used Dorothea Dix at a greater rate than other counties with state psychiatric facilities. Wake County's population is 8%, and Wake County uses about 8% of state psychiatric hospital beds. The State Hospital Bed Day Allocation Plan for Wake County is consistent with Wake's usage rate.

In 2001, Wake County used Dorothea Dix at a rate of 304 per 100,000 population. Granville County used JUH at a rate of 319 per 100,000 population. Burke County used Broughton Hospital at a rate of 310 per 100,000 population. Wayne County used Cherry Hospital at a rate of 298 per 100,000 population. Figures are similar for 2002. Durham County uses JUH at rates exceeding 400 per 100,000, and has access to Medicaid psychiatric beds at Duke.

Wake County is committed to providing the necessary spectrum of community mental health service to serve its citizens. However, those services must include in-patient adult Medicaid facilities as a last resort.

Wake County is the best site for a new psychiatric hospital, not just for the citizens of Wake but for the infrastructure and human resources that Wake County can provide to the citizens of North Carolina that need this facility.

Raleigh Site is Closer to many more Patients and Families



Proposed Sites for Hospitals

- Red = 600,000 - 700,000
- Blue = 400,000 - 500,000
- Yellow = 300,000 - 400,000
- Green = 200,000 - 300,000
- Purple = 100,000 - 150,000
- Orange = 75,000 - 100,000
- Lavender = 50,000 - 75,000
- Pink = 25,000 - 50,000
- Gray = 0 - 25,000

Wake Site: 1,000,000 people within 30 miles

Granville Site: 500,000 people within 30 miles

Chatham Site: 50,000 people within 30 miles

Reps, Starn & Allen

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
H.B. 150 A BILL TO BE ENTITLED AN ACT TO PROVIDE CRITERIA FOR AWARDING STATE GRANTS TO STUDENTS ATTENDING CERTAIN ACCREDITED INSTITUTIONS OF HIGHER EDUCATION

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H 2

HOUSE BILL 684*
Committee Substitute Favorable 6/4/03

Short Title: Psychiatric Hospital Financing. (Public)

Sponsors:

Referred to:

March 26, 2003

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A STATUTORY FRAMEWORK FOR THE FINANCING OF CAPITAL FACILITIES BY THE STATE AND TO AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS TO FINANCE THE CONSTRUCTION OF A NEW PSYCHIATRIC HOSPITAL TO BE LOCATED IN BUTNER.

The General Assembly of North Carolina enacts:

PART 1. STATE CAPITAL FACILITIES FINANCE ACT

SECTION 1. Chapter 142 of the General Statutes is amended by adding a new Article to read:

"Article 9.

"State Capital Facilities Finance Act.

"**§ 142-80. Short title.**

This Article may be cited as the State Capital Facilities Finance Act.

"**§ 142-81. Findings and purpose.**

The General Assembly finds as follows:

(1) There is a continuing need for capital facilities for the State, many of which will continue to be provided on a "pay-as-you-go" basis by direct appropriations.

(2) The State will also continue to provide capital facilities through the issuance of general obligation bonds.

(3) There is a need, however, for the use of alternative financing methods, such as authorized in this Article, to facilitate the providing of capital facilities when circumstances and conditions warrant the providing of capital facilities through financing methods in addition to direct appropriations and the issuance of general obligation bonds.

(4) The use of these alternative financing methods as authorized in this Article will provide financing flexibility to the State and permit the

State to take advantage of changing financial and economic environments.

"**§ 142-82. Definitions.**

The following definitions apply in this Article:

(1) Bonded indebtedness. – Limited obligation bonds and bond anticipation notes, including refunding bonds and notes, authorized to be issued under this Article.

(2) Bonds or notes. – Limited obligation bonds and notes authorized to be issued under this Article.

(3) Capital facility. – Any one or more of the following:

a. Any one or more buildings, utilities, structures, or other facilities or property developments, including streets and landscaping, and the acquisition of equipment, machinery, and furnishings in connection with these items.

b. Additions, extensions, enlargements, renovations, and improvements to existing buildings, utilities, structures, or other facilities or property developments, including streets and landscaping.

c. Land or an interest in land.

d. Other infrastructure.

e. Furniture, fixtures, equipment, vehicles, machinery, and similar items.

(4) Certificates of participation. – Certificates or other instruments delivered by a special corporation evidencing the assignment of proportionate undivided interests in rights to receive payments pursuant to a financing contract.

(5) Certificates of participation indebtedness. – Financing contract indebtedness incurred by the State under a plan of finance in which a special corporation obtains funds to pay the cost of a capital facility to be financed through the delivery by the special corporation of certificates of participation.

(6) Cost. – Any of the following in financing the cost of capital facilities as authorized by this Article:

a. The cost of constructing, reconstructing, renovating, repairing, enlarging, acquiring, and improving capital facilities, including the acquisition of land, rights-of-way, easements, franchises, equipment, machinery, furnishings, and other interests in real or personal property acquired or used in connection with a capital facility.

b. The cost of engineering, architectural, and other consulting services.

c. The cost of providing personnel to ensure effective management of capital facilities.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 684 (House Committee Substitute)

SHORT TITLE: Psychiatric Hospital Bonds

SPONSOR(S):

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

(In Millions)

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Operating Expenditures					
Dix & Umstead Hosp.	($5.23)	($9.77)	($27.86)	($49.19)	($104.02)
New Psych. Hospital				$21.66	$52.00
Community Services	$5.23	$6.47	$15.76	$15.76	$40.58
Debt Service					
New Psych. Hospital		$3.30	$12.1	$11.77	$11.44

Note: No net impact to the General Fund is anticipated.

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services

EFFECTIVE DATE: When the bill becomes law.

BILL SUMMARY:

The Project - House Bill 684 provides authorization for financing the construction of a 450,000 square foot, 432-bed psychiatric hospital in Camp Butner. The amount of authorized indebtedness is limited to the estimated cost of construction of $110 million.

Special Indebtedness - Financing authorized by the bill includes: (1) an installment-purchase or lease-purchase contract with a single entity; (2) limited obligation bonds, or (3) an installment-purchase contract through the sale of certificates of participation. Certificates of participation are a form of contract indebtedness where the State, through a non-profit corporation, issues certificates that represent the holder's undivided interest in the right to receive installment payments from the State.

Securitization - In order to secure financing under the three forms of indebtedness listed above, a lien or security interest may be placed on the constructed facilities comprising the new hospital

and the land on which the facilities are located. If this indebtedness is used to finance the renovation of existing facilities, a lien could be placed on all or part of the existing facilities.

Under the forms of financing authorized by this bill, there would be no pledge of the State's taxing power or a pledge of the State's full faith and credit. As a result, voter approval is not necessary for issuance of these forms of debt. If the State defaulted on repayment of this debt, the State could not be forced to generate new tax revenue to service the debt. Instead, the land and facilities financed through special indebtedness could be liquidated to repay the debt. If the General Assembly chose not to appropriate funds for debt service for the new hospital, the State's credit rating could be adversely impacted.

Issuance – The Department of Health and Human Services must notify the Department of Administration of the need for special indebtedness. The Department of Administration then consults with the Office of State Treasurer on the merits of issuing debt for the authorized purpose. The Treasurer must contact the Office of State Budget and Management to determine whether revenues will be available to service the proposed debt. If the Treasurer determines that special indebtedness is desirable for financing the project, the Treasurer must certify this decision in writing to the Department of Administration.

The Department of Administration then calls a meeting of the Council of State for preliminary approval. Prior to issuance of debt, the Council of State must give final approval. The approval resolution must contain a description of the specific project, a maximum principal amount of the special indebtedness, a specified maturity or maximum maturity on the debt, specified interest rates or a maximum rate of interest on the debt, and any condition in addition to the provisions of this bill.

Upon approval by the Council of State, the Treasurer provides final written approval. To do so, the Treasurer is authorized to request additional information and reports to determined the appropriateness of issuing debt. The Treasurer is responsible for management and oversight of the issuance of debt. Once all the provisions of this bill have been met, the Treasurer must report to Joint Legislative Commission on Governmental Operations at least five days prior to issuing any special indebtedness.

UNC Research Programs – The bill directs the Department of Health and Human Services (DHHS) to preserve all existing educational and research programs in Dorothea Dix Hospital conducted by the University of North Carolina Medical School. As the Department closes Dix Hospital, DHHS must consult with the UNC Medical School regarding the transfer of these programs to the new hospital. The UNC Medical School would retain authority over the management of these education and research programs in the new psychiatric hospital.

Disposition of County Property – Upon selection of a particular site to construct the new hospital, this bill authorizes the selected county to use eminent domain, if necessary, to acquire land for the project. The county would transfer possession of this land to the State.

Cost Savings and Hospital Closure – The bill requires all savings associated with the closure of any psychiatric hospitals to be directed to repaying debt service on the new psychiatric hospital before reverting to the General Fund. Nonrecurring savings would be deposited in the Mental Health Trust Fund for System Reform and recurring savings would be retained by DHHS. Both

sources of funds would be dedicated first to repaying the debt. The balance of non-recurring cost savings, after payment of the annual debt service, would remain in the Mental Health Trust Fund for the purposes of the Trust Fund. All remaining recurring savings would be retained by DHHS for the purpose of complying with the Olmstead v. L.C. and E.W. case and implementation Mental Health Reform.

In practical terms, funds saved from the closure of the two hospitals will: (1) pay the annual debt service on the new hospital; (2) pay the operating expenses of the new hospital, and (3) the remaining balance will go to community programs for the expansion of mental health services in the community.

Dix Hospital Property Study Commission – The bill establishes the Dorothea Dix Property Study Commission. If the State finds itself in the position of selling the land and facilities on which Dorothea Dix Hospital is currently located, the Dorothea Dix Property Study Commission must consider the sale prior to any action by the State. Before the sale occurs, the Study Commission will make a recommendation on disposition of the property to the Joint Legislative Commission on Governmental Operations.

ASSUMPTIONS AND METHODOLOGY:

The bill calls for a 450,000 square foot, 432-bed psychiatric hospital. The cost of constructing this hospital is estimated to be $110 million. Construction is assumed to begin in November 2004 and complete in November 2006.

Debt service payments were estimated based on a simulation provided by the Office of State Treasurer. The estimated debt service assumes that the State will finance the full $110 million through special indebtedness. The estimated repayment includes an average interest rate of 6.0% and a maximum maturity of 20 years. The earliest expected date of issuance would be November 2004. Estimated annual debt services payments range from $5.83 million to $12.1 million.

The following chart displays the current expenditures associated with operating Dix and Umstead Hospitals for the next five years. The chart also shows the shift of operating dollars from the two existing hospitals to the newly constructed psychiatric hospital and to the community for increased local mental health services.

The New Psychiatric Hospital and Realignment of Operating Expenditures					
Operating Expenditures	**FY 2003-04**	**FY 2004-05**	**FY 2005-06**	**FY 2006-07**	**FY 2007-08**
Dix and Umstead Hospitals	$107,415,928	$103,652,980	$85,567,980	$60,313,621	$0
New Psychiatric Hospital	$0	$0	$0	$21,666,667	$52,000,000
Hospital Debt Service		$3,300,000	$12,100,000	$11,770,000	$11,440,000
Butner ADATC and Dix Campus Operation			$3,917,693	$9,402,462	$9,402,462
Expenditures Realigned to Community Services	$5,231,780	$6,475,000	$15,760,000	$15,760,000	$40,585,518

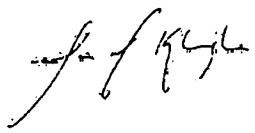
In calculating the numbers in the chart above, DHHS made the following assumptions:

- The operating costs of Dix and Umstead Hospitals do not include lapse salaries/benefits, which are budgeted annually.
- In FY 2005-06 and subsequent years, DHHS separated the estimated budget for running the Butner Alcohol and Drug Abuse Treatment Center (ADATC) and for maintaining the Dix Campus.
- The Butner ADATC expenditures were estimated from the average appropriation to the Jones ADATC and the Keith ADATC.
- The Dix Campus operating expenditures were estimated according to current appropriations for maintain the Dix Campus facilities used by various DHHS agencies and 15% of the appropriation for the hospital facilities.
- The estimated operating costs for the new hospital are based on the average appropriation for Dix and Umstead, excluding the Butner ADATC and the Dix Campus operation.

This analysis assumes that the cost savings from the closure of Dix and Umstead Hospitals would not revert to the General Fund. Instead, the cost-savings would be used to pay the debt service for the new hospital; the operating expenditures associated with the new hospital; and the expansion of community-based mental health services. Considering that DHHS is anticipating annual cost-savings from the closure of Dix and Umstead Hospitals that exceed the cost of annual debt service payments for the new hospital, **no net impact to the General Fund is expected.**

SOURCES OF DATA: Department of Health and Human Services

FISCAL RESEARCH DIVISION: (919) 733-4910
PREPARED BY: Jim Klingler, Fiscal Analyst



APPROVED BY: James D. Johnson, Director, Fiscal Research Division



DATE: June 4, 2003

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 684*

AMENDMENT NO. 1
(to be filled in by
Principal Clerk)

H684-ALC-22 [v.2]

Date June 9 ,2003

Comm. Sub. [YES]
Amends Title [NO]
Second Edition

Representative Crawford

moves to amend the bill on page 15, line 40, through page 16, line 6, by rewriting Section 3.1 of the bill to read:

"**SECTION 3.1.** The Secretary of Health and Human Services shall maintain all existing educational and research programs in psychiatry and psychology conducted at Dorothea Dix Hospital and John Umstead Hospital by the University of North Carolina School of Medicine and by the Psychology Department within the College of Arts and Sciences at the University of North Carolina at Chapel Hill, unless the programs are otherwise modified by the University of North Carolina School of Medicine or the College of Arts and Sciences. The University of North Carolina School of Medicine shall retain authority over all educational and research programs in psychiatry and the University of North Carolina College of Arts and Sciences shall retain authority over all educational and research programs in psychology conducted at these hospitals and at any new State psychiatric hospital. The Secretary shall consult with the University of North Carolina School of Medicine in programmatic, operational, and facility planning of the new psychiatric hospital to ensure appropriate patient treatment and continuation of educational and research programs conducted by the University of North Carolina School of Medicine. In addition, the Secretary shall consult with the University of North Carolina College of Arts and Sciences to ensure appropriate continuation of educational and research programs conducted by the

NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
House Bill 684*

AMENDMENT NO. _____
(to be filled in by
Principal Clerk)

H684-ALC-22 [v.2]

University of North Carolina College of Arts and Sciences."

SIGNED J. W. Crawford, Jr.
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Committee Substitute for
H.B. 684 A BILL TO BE ENTITLED AN ACT TO PROVIDE A STATUTORY FRAMEWORK FOR THE FINANCING OF CAPITAL FACILITIES BY THE STATE AND TO AUTHORIZE THE ISSUANCE OF SPECIAL INDEBTEDNESS TO FINANCE THE CONSTRUCTION OF A NEW PSYCHIATRIC HOSPITAL TO BE LOCATED IN BUTNER

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☒ With a favorable report as to the committee substitute bill (# 2), ☐ ~~which changes the title~~, unfavorable as to ~~(the original bill)~~ (Committee Substitute Bill # 1 , ~~), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)~~

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

HOUSE BILL 815

Short Title:	Detox Facilities Not Subject to CON.	(Public)
Sponsors:	Representatives Alexander; and Insko.	
Referred to:	Health.	

April 1, 2003

A BILL TO BE ENTITLED

AN ACT TO AMEND THE DEFINITION OF CHEMICAL DEPENDENCY TREATMENT FACILITY TO PROVIDE THAT SOCIAL SETTING DETOXIFICATION FACILITIES AND MEDICAL DETOXIFICATION FACILITIES ARE NOT CHEMICAL DEPENDENCY TREATMENT FACILITIES FOR THE PURPOSES OF CERTIFICATE OF NEED REQUIREMENTS AND TO AMEND THE DEFINITION OF CHEMICAL DEPENDENCY TREATMENT BED TO PROVIDE THAT BEDS LICENSED FOR DETOXIFICATION ARE NOT CHEMICAL DEPENDENCY TREATMENT BEDS FOR THE PURPOSES OF CERTIFICATE OF NEED REQUIREMENTS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 131E-176(5a) reads as rewritten:

"(5a) "Chemical dependency treatment facility" means a public or private facility, or unit in a facility, which is engaged in providing 24-hour a day treatment for chemical dependency or substance abuse. This treatment may include detoxification, administration of a therapeutic regimen for the treatment of chemically dependent or substance abusing persons and related services. The facility or unit may be:

a. A unit within a general hospital or an attached or freestanding unit of a general hospital licensed under Article 5, Chapter 131E, of the General Statutes,

b. A unit within a psychiatric hospital or an attached or freestanding unit of a psychiatric hospital licensed under Article 1A of General Statutes Chapter 122 or Article 2 of General Statutes Chapter 122C,

c. A freestanding facility specializing in treatment of persons who are substance abusers or chemically dependent licensed under Article 1A of General Statutes Chapter 122 or Article 2 of General Statutes Chapter 122C; and may be identified as

"chemical dependency, substance abuse, alcoholism, or drug abuse treatment units," "residential chemical dependency, substance abuse, alcoholism or drug abuse facilities," ~~"social setting detoxification facilities" and "medical detoxification facilities,"~~ or by other names if the purpose is to provide treatment of chemically dependent or substance abusing persons, but shall not include social setting detoxification facilities, medical detoxification facilities, halfway houses or recovery farms."

SECTION 2. G.S. 131E-176(5b) reads as rewritten:

"(5b) "Chemical dependency treatment beds" means beds that are licensed ~~for detoxification or~~ for the inpatient treatment of chemical dependency. Residential treatment beds for the treatment of chemical dependency or substance abuse are chemical dependency treatment beds. Chemical dependency treatment beds shall not include beds licensed for detoxification."

SECTION 3. This act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 815 (First Edition)

SHORT TITLE: Detox Facilities Not Subject to CON

SPONSOR(S): Representatives Alexander and Insko

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
REVENUES					
Federal Medicaid	$236,477	$236,477	$236,477	$236,477	$236,477
EXPENDITURES					
State Medicaid Share	$120,295	$120,295	$120,295	$120,295	$120,295
Local					
County Medicaid Share	$21,228	$21,228	$21,228	$21,228	$21,228

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Health and Human Services

The Division of Mental Health, Developmental Disabilities, and Substance Abuse Services has stated that it will cover the fiscal impact to the Medicaid budget in the Division of Medical Assistance through cost savings associated with the downsizing of the state psychiatric hospitals. The necessary amount would be transferred from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services budget to the Division of Medical Assistance budget.

EFFECTIVE DATE: When the bill becomes law.

BILL SUMMARY: House Bill 815 amends G.S. 131E-176 to exclude social-setting detoxification and medical detoxification facilities from certificate of need requirements.

By removing these two types of facilities, the development of detoxification facilities that are independent of general and psychiatric hospitals would no longer require certificates of need from the Department of Health and Human Services (DHHS). As a result, there would be no state regulation of the number of freestanding detoxification facilities in the State, but DHHS would continue to license and regulate the operation of such facilities.

Residential treatment facilities for chemical dependent persons would still be subject to certificates of need.

ASSUMPTIONS AND METHODOLOGY: In developing the fiscal impact of the proposed bill, three general issues were considered: (1) the anticipated increase in the Medicaid program; (2) the net fiscal impact to the State's Alcohol and Drug Abuse Treatment Centers (ADATC's), and; (3) the net fiscal impact to Division of Facility Services.

Medicaid

Non-hospital medical detoxification is a reimbursable service for persons eligible for Medicaid. The removal of the certificate of need requirement is expected to increase the availability of detoxification beds throughout the State. According to DHHS, these additional beds coupled with the existing need for services should result in increased Medicaid expenditures.

In calculating the impact to the Medicaid budget, DHHS developed the following assumptions:

- The number of individuals who have unmet detoxification needs is 3,600 per year.
- 33.3% of these individuals would use social setting detoxification services.
- 66.7% of these individuals would use non-hospital medical detoxification services.
- 10% of individuals needing non-hospital detoxification services are eligible for Medicaid.
- The average cost per day for non-hospital medical detoxification services is $315.
- The cost per day of detoxification services will not inflate over the next five years.
- The average length of stay is 5 days.
- The increase in new detoxification beds will equal the unmet need for services.

Using these assumptions, DHHS calculated the following:

Projected Fiscal Impact (DMA Budget):	**Non-Hospital Medical Detox**
Projected Number of **Medicaid Eligible** Clients to be Served per Year (10% of 2,401 individuals)	240
Cost per Day	$315
Average Number of Days	5
Projected Increased Medicaid Expenditure per Year	**$378,000**
Federal Share @ 62.56%	$236,477
State Share @ 85% of Non-federal	$120,295
County Share @ 15% of Non-federal	$ 21,228

Alcohol and Drug Abuse Treatment Centers (ADATC's)

DHHS is currently developing detoxification service capacity in the State's ADATC's. Without certificate of need requirements for freestanding detoxification activities, the increased capacity for detoxification services across the State could reduce the demand for detoxification beds in the ADATC's.

DHHS anticipates that the ADATC detoxification beds will operate at capacity, serving roughly 3.600 persons per year. *These 3,600 persons are not included in the assumption mentioned in the previous section regarding persons with unmet detoxification needs.* According to DHHS,

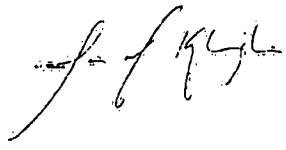
the 3,600 persons to be served in the ADATC's will be served within existing budget for DHHS. All other impacts addressed in this fiscal note assume that there is an unmet need for detoxification services over and above services provided at the ADATC's. This new detoxification capacity at the ADACT's is not expected to impact the assumed demand for new community detoxification services. **As a result, no net fiscal impact is expected in the DHHS regarding the statewide increase in detoxification beds.**

Division of Facility Services (DFS)

DFS is current responsible for issuing certificates of need to freestanding detoxification facilities. By excluding freestanding detoxification facilities from certificates of need requirements, DFS is expecting a small cost savings associated with reduced workload in issuing certificates of need. This cost savings is balanced by increased costs associated with licensing and regulating an increased number of freestanding detoxification facilities. According to DHHS, the savings and costs should balance out in the end. **As a result, no net fiscal impact is expected to DFS.**

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Jim Klingler, Fiscal Analyst



APPROVED BY: James D. Johnson, Director Fiscal Research Division



DATE: April 23, 2003

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☐ Committee Substitute for
H.B. 815 A BILL TO BE ENTITLED AN ACT TO AMEND THE DEFINITION OF CHEMICAL DEPENDENCY TREATMENT FACILITY TO PROVIDE THAT SOCIAL SETTING DETOXIFICATION FACILITIES AND MEDICAL DETOXIFICATION FACILITIES ARE NOT CHEMICAL DEPENDENCY TREATMENT FACILITIES FOR THE PURPOSES OF CERTIFICATE OF NEED REQUIREMENTS AND TO AMEND THE DEFINITION OF CHEMICAL DEPENDENCY TREATMENT BED TO PROVIDE THAT BEDS LICENSED FOR DETOXIFICATION ARE NOT CHEMICAL DEPENDENCY TREATMENT BEDS FOR THE PURPOSES OF CERTIFICATE OF NEED REQUIREMENTS

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

H 2

HOUSE BILL 1019
Committee Substitute Favorable 4/24/03

Short Title: I-40 U.S. Veterans Memorial Highway. (Public)

Sponsors:

Referred to:

April 10, 2003

A BILL TO BE ENTITLED

AN ACT TO DESIGNATE THE I-40 CORRIDOR IN NORTH CAROLINA AS THE U.S. VETERANS MEMORIAL HIGHWAY.

The General Assembly of North Carolina enacts:

SECTION 1. Article 2 of Chapter 136 of the General Statutes is amended by adding a new section to read:

"**§ 136-18.5B. U.S. Veterans Memorial Highway.**

The Interstate Highway 40 corridor in the State is designated as the 'U.S. Veterans Memorial Highway'. The Department shall erect signs along the corridor with a blue background and a United States flag decal, and that include the phrase 'This is the' above the phrase 'U.S. Veterans Memorial Highway'."

SECTION 2. This act is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2003

HOUSE BILL 1232

Short Title:	Food Safety & Security Funds.	(Public)
Sponsors:	Representatives Hill; and LaRoque.	
Referred to:	Appropriations.	

April 23, 2003

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES TO IMPROVE FOOD SAFETY AND SECURITY.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Agriculture and Consumer Services the sum of seventy-two thousand dollars ($72,000) for the 2003-2004 fiscal year to establish and operate the Food Safety and Security Task Force.

SECTION 2. There is appropriated from the General Fund to the Department of Agriculture and Consumer Services the sum of one million eight hundred sixty-six thousand eight hundred nine dollars ($1,866,809) for the 2003-2004 fiscal year and the sum of one million three hundred seventy-seven thousand seven hundred nine dollars ($1,377,709) for the 2004-2005 fiscal year to upgrade the laboratory and the investigative and enforcement capabilities of the Department related to food safety and security.

SECTION 3. There is appropriated from the General Fund to the Department of Agriculture and Consumer Services the sum of three hundred eighty-four thousand seven hundred forty-eight dollars ($384,748) for the 2003-2004 fiscal year to be used as the ten percent (10%) matching requirement to obtain a grant of approximately three million eight hundred forty-seven thousand four hundred eighty-three dollars ($3,847,483) from the United States Department of Homeland Security for funding a multiagency Food Safety and Security Project to reduce the vulnerability of North Carolina food supplies to criminal and terrorist acts.

SECTION 4. The Food Safety and Security Task Force shall report to the General Assembly no later than December 15, 2004, any recommendations for changes in laws, regulations, or programs needed to enhance food safety and security in North Carolina.

SECTION 5. This act becomes effective July 1, 2003.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

H 1

HOUSE BILL 1245

Short Title:	Provide an Annual Increment to All Teachers.	(Public)
Sponsors:	Representatives Fox; Bell, Glazier, Warren, Warner, and McLawhorn.	
Referred to:	Appropriations.	

April 24, 2003

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE TEACHER SALARY SCHEDULE TO ENSURE THAT ALL TEACHERS RECEIVE AN ANNUAL INCREMENT AND TO APPROPRIATE FUNDS FOR THAT PURPOSE.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to State Aid to Local School Administrative Units the sum of five million dollars ($5,000,000) for the 2004-2005 fiscal year to provide for an annual increment for employees who are at step 30+ on the teacher salary schedule.

It is the goal of the General Assembly to add a step to the teacher salary schedule each year for five additional years at which time the highest step on the teacher salary schedule will be 35+.

SECTION 2. This act becomes effective July 1, 2003.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

S 3

SENATE BILL 714
Education/Higher Education Committee Substitute Adopted 4/17/03
House Committee Substitute Favorable 5/21/03

Short Title: Compensation/Pub. Sch. Employees/Active Duty. (Public)

Sponsors:

Referred to:

April 2, 2003

A BILL TO BE ENTITLED

AN ACT TO ENSURE THAT PUBLIC SCHOOL EMPLOYEES DO NOT LOSE PAY WHILE THEY ARE ON MILITARY DUTY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-302.1 is amended by adding a new subsection to read:

"(g1) Payment During Military Duty. – The State Board of Education shall adopt rules relating to leaves of absence, without loss of pay or time, for periods of military training and for State or federal military duty or for special emergency management service. The rules shall apply to all public school employees, including, but not limited to, school teachers, administrators, guidance counselors, speech language pathologists, nurses, and custodians employed by local boards of education or by charter schools. The rules shall provide that (i) the State pays any salary differential to all public school employees in State-funded positions, (ii) the employing local board of education pays any pay differential to all public school employees in locally funded positions, (iii) the employing charter school pays any pay differential to all public school employees in the charter school, and (iv) the employing local board of education pays the local supplement."

SECTION 2. This act becomes effective on or after July 1, 2002.

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 714 Third Edition

SHORT TITLE: Compensation/Public Schools Employees/Active Duty

SPONSOR(S): Senator Hartsell

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
EXPENDITURES (in millions)					
State	**$1.5**	***See Assumptions & Methodology Section***			
Local	**$0.5**	***See Assumptions & Methodology Section***			
Charter Schools	**$0.1**	***See Assumptions & Methodology Section***			
POSITIONS:	**N/A**				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: State Public School Fund, Local Boards of Education, Charter Schools.

EFFECTIVE DATE: July 1, 2002.

BILL SUMMARY: The bill amends public schools personnel statute to require that the State Board of Education (State Board) "adopt rules relating to leaves of absence, without loss of pay or time" for periods of military training, State or federal military duty, or for special emergency management service." The new rules must include provision that (i) the State pay any salary differential to employees in State-funded positions, (ii) the local board of education pay any salary differential to employees in locally-funded positions and the local supplement for employees in State-funded positions, and (iii) charter schools pay any salary differential to charter school employees.

ASSUMPTIONS AND METHODOLOGY: Current Military Leave policy for public schools employees[1] provides that individuals on unpaid leave will retain accumulated sick leave and continue to earn State service credit and time toward salary increases. Current policy does not provide, however, for payment of salary differential to employees in all cases of military leave.

[1] Public Schools Benefits & Employment Policy Manual, www.ncpublicschools.org/benemanual/military.htm

The bill requires that no public school employee shall be paid less, as a result of being on military leave, than the salary they would have received at the public school in which they are employed. To meet this requirement, the State, local boards, and charter schools will increase expenditures for payment of salary differential that is not required under current statute.

These increased expenditures are assumed to be necessary only in a time of significant and/or protracted military engagement. This analysis assumes that the level of military activity occurring in FY 2002-03 will decline gradually in FY 2004-05 and that public school personnel will be able to fully resume their roles in the public schools by the beginning of the 2004-05 school year. As it would not be practical to attempt to predict when in the next five fiscal years another significant military event might occur, the analysis assumes that the costs associated with the bill are limited to FY 2002-03.

State Expenditures
The bill requires the State to "pay any salary differential to employees in State-funded positions." This analysis assumes:

1. 120 certified and 30 non-certified State-funded employees on active duty in FY 2002-03; average monthly salary and benefits (except health care[2]) for certified employees of $4,208

2. Average military rank of employees: sergeant, E-7 (midrange salary of $2,990/month)

3. Average salary differential: $1,218 per month or $12,180 annually

4. Average monthly military salary for the non-certified employees is higher than their average monthly public school salaries. Therefore, there would be no salary differential to pay.

Using these assumptions, total increased State expenditures for payment of salary differential will be $12,180 X 120 certified employees = $1,461,600.

Local Board Expenditures
Local expenditures will be comprised of two components:

1. Payment of local supplements

2. Payment of locally funded-employees

Precise estimates of increased local expenditures for either local supplements or number of locally-funded employees affected are not available at this time. Based on the assumptions described below, the total increased local expenditures are estimated to be approximately $461,880.

Assuming the average annual local teaching supplement is $2,631,[3] the total cost for 120 certified personnel would be $315,720. Information on additional supplements for extra duties, additional local benefits, etc. are not available at this time, however. Thus, it would be reasonable to assume that this cost is understated. To the extent that the bill does not intend for

[2] Health care benefits are provided by the military while the employee is on active duty.
[3] Department of Public Instruction website

local boards to pay employees the entire local supplement (see Technical Considerations section of this analysis), the cost may be overstated.

Based on the number of State-funded teachers on leave, and the of State-funded to locally-funded certified personnel (about 10:1), it seems reasonable to assume that some small number on the order of 10-12 locally-funded personnel will qualify for differential pay. Assuming the same salary figures as used above for State funded teachers, it is possible that local boards' expenditures for differential pay will increase by up to approximately $146,160.

Charter School Expenditures

An estimate of how many charter schoolteachers are on military leave is not available at this time. Based on the number of public school teachers on leave, it seems reasonable to assume that some small number on the order of 5-10 might qualify for the differential pay. Assuming the same salary figures as used above for State funded teachers, it is possible that charter schools' expenditures will increase by up to approximately $120,000. It is unlikely that any one school will experience an increase of more than $25,000 (the differential pay for two teachers).

SOURCES OF DATA: Department of Public Instruction

TECHNICAL CONSIDERATIONS:

1. As written, the bill requires that the State pay "any salary differential" for employees in State funded positions, while the local boards of education pay "the local supplement." This could be interpreted as requiring both that the State make up the entire differential and that local boards of education pay the entire local supplement that would have been paid to the employee. In this scenario: (a) both the State's and local boards' expenditures will be greater than if each was simply required to pay their proportionate share of any differential, and (b) the employee will in fact earn more than he or she would have in the absence of the military leave. In order to remove any potential confusion regarding how the policy is to be implemented, it may therefore be necessary to amend the bill to clarify exactly the portion of compensation for which each party is responsible.

2. The bill's effective date of July 1, 2002, requires that public school personnel be paid retroactively for salary differential that was uncompensated in the FY 2002-03. The Department of Public Instruction has indicated that it will need to run a supplemental payroll in order to account for these special payments. The bill does not identify a funding source for the payments, however. Assuming that the payments are to be made in FY 2002-03 from funds appropriated for FY 2002-03, the bill would need to identify a source for the funds. If the payments are in fact made in FY 2003-04, a similar problem will exist. The bill needs to identify an appropriation for FY 2004-05 that will support the payments.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Adam Levinson



APPROVED BY: James D. Johnson, Director, Fiscal Research Division



DATE: May 27, 2003

NORTH CAROLINA GENERAL ASSEMBLY AMENDMENT **ATTACHMENT XVI**

(Please type or use ballpoint pen)

EDITION No. _____

H. B. No. 714 DATE 6/9/03

S. B. No. _____ Amendment No. 1
(to be filled in by Principal Clerk)

COMMITTEE SUBSTITUTE _____

(Rep.) Sherrill
Sen.)

moves to amend the bill on page 1, line 18

( ) WHICH CHANGES THE TITLE

by rewriting the line to read

"supplement.

(g2) Subsection (g1) of this section shall not apply if a local board of education, by resolution, decides to opt out of the rules adopted pursuant to subsection (g1) of this section."

SIGNED _____

ADOPTED _____ FAILED _____ TABLED _____

GA-33-A

PRINCIPAL CLERK'S OFFICE (FOR ENGROSSMENT)

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ House Committee Substitute for
S.B. 714 A BILL TO BE ENTITLED AN ACT TO ENSURE THAT PUBLIC SCHOOL EMPLOYEES DO NOT LOSE PAY WHILE THEY ARE ON MILITARY DUTY.

☐ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☒ With a favorable report as to House committee substitute bill (# 2), ~~☐ which changes the title~~, unfavorable as to ~~Senate~~ House committee substitute bill. No. 1.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

S 2

SENATE BILL 912*
Judiciary I Committee Substitute Adopted 4/17/03

Short Title: Sexual Battery. (Public)

Sponsors:

Referred to:

April 3, 2003

A BILL TO BE ENTITLED

AN ACT TO CREATE THE OFFENSE OF SEXUAL BATTERY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 14-27.1 reads as rewritten:

"**§ 14-27.1. Definitions.**

As used in this Article, unless the context requires otherwise:

...

(5) 'Sexual contact' means (i) touching the sexual organ, anus, breast, groin, or buttocks of any person, or (ii) a person touching another person with their own sexual organ, anus, breast, groin, or buttocks.

(6) 'Touching' as used in subdivision (5) of this section, means physical contact with another person, whether accomplished directly, through the clothing of the person committing the offense, or through the clothing of the victim."

SECTION 2. Article 7 of Chapter 14 of the General Statutes is amended by adding a new section to read:

"**§ 14-27.5A. Sexual battery.**

(a) A person is guilty of sexual battery if the person, for the purpose of sexual arousal, sexual gratification, or sexual abuse, engages in sexual contact with another person:

(1) By force and against the will of the other person; or

(2) Who is mentally disabled, mentally incapacitated, or physically helpless, and the person performing the act knows or should reasonably know that the other person is mentally disabled, mentally incapacitated, or physically helpless.

(b) Any person who commits the offense defined in this section is guilty of a Class A1 misdemeanor."

SECTION 3. This act becomes effective December 1, 2003, and applies to offenses committed on or after that date.

NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE
(INCARCERATION NOTE G.S. 120-36.7)

BILL NUMBER: SB 912 2nd Edition

SHORT TITLE: Sexual Battery

SPONSOR(S): Senator Clodfelter

FISCAL IMPACT

Yes (X) **No ( )** **No Estimate Available ( )**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
GENERAL FUND					
Correction					
Recurring	Bill creates a new offense; unable to determine exact amount.				
Nonrecurring					
Judicial					
Recurring	Unable to determine exact amount.				
Nonrecurring					
TOTAL EXPENDITURES:	Unable to determine exact amount.				
ADDITIONAL PRISON BEDS*	It is likely that most misdemeanants sentenced to an active sentence under this bill would be housed in local jails at a cost of $18/day. The exception is A1 offenders falling in Prior Record Level III who may receive active sentences that might be served in the state prison system.				
POSITIONS: (cumulative)	Unable to determine exact amount; additional positions not anticipated.				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Correction (DOC); Judicial Branch

EFFECTIVE DATE: December 1, 2003

**This fiscal analysis is independent of the impact of other criminal penalty bills being considered by the General Assembly, which could also increase the projected prison population and thus the availability of prison beds in future years. The Fiscal Research Division is tracking the cumulative effect of all criminal penalty bills on the prison system as well as the Judicial Department.*

BILL SUMMARY: SB 912 creates a new offense of sexual battery. The bill amends Article 7 of Chapter 14 of the general statutes to provide that a defendant is guilty of sexual battery if they intentionally subject another person to sexual contact by force and against their will or subjects a person who is mentally disabled, mentally incapacitated, or physically helpless (which is known or should have been known by the offender) to sexual contact. The offense of sexual battery is punishable by a Class A1 misdemeanor. The bill formally defines "sexual contact" and "touching".

ASSUMPTIONS AND METHODOLOGY:

General

The Sentencing and Policy Advisory prepares prison population projections for each criminal penalty bill. The Commission assumes for each bill that increasing criminal penalties does not have a deterrent or incapacitative effect on crime. Therefore, the Fiscal Research Division (FRD) does not assume savings due to deterrent effects for this bill or other criminal penalty bills.

Department of Correction

The Sentencing and Policy Advisory Commission prepares inmate population projections annually. The projections used for incarceration fiscal notes and fiscal memos are based on January 2003 projections. These projections are based on historical information on incarceration and release rates under Structured Sentencing, crime rate forecasts by a technical advisory board, probation and revocation rates, and the decline (parole and maxouts) of the stock prison population sentenced under previous sentencing acts. Based on the most recent population projections and estimated available prison bed capacity, *there are no surplus prison beds available for the five year Fiscal Note horizon and beyond.* The number of beds needed will always be equal to the projected number of inmates due to a bill.

Because SB 912 creates a new offense, the Sentencing Commission does not have any historical data from which to estimate the impact of this bill on the prison population. It is not known how many offenders might be sentenced under this bill. In FY 2001-2002, 20 percent of Class A1 misdemeanor convictions resulted in active sentences. The average estimated time served was 55.1 days. It is likely that misdemeanants sentenced under this bill would be housed in local jails but paid for by the State at a cost of $18/day. (Active sentences between 1-90 days are served in local jails; the DOC reimburses counties for active sentences between 30-90 days). Because only A1 offenders falling in Prior Record Level III receive active sentences that might be served in the state prison system, convictions for this proposed offense would not be expected to have a significant impact on the prison population.

Judicial Branch

For most criminal penalty bills, the Administrative Office of the Courts (AOC) provides Fiscal Research with an analysis of the fiscal impact of the specific bill. For these bills, fiscal impact is typically based on the assumption that court time will increase due to an expected increase in trials and a corresponding increase in the hours of work for judges, clerks and prosecutors. This increased court time is also expected to result in greater expenditures for jury fees and indigent defense.

The AOC is aware of no data from which to estimate the number of new charges that would arise from this bill. To some extent, the AOC believes, it is possible for some defendants who commit these offenses to be charged with a Class 2 misdemeanor for assault or battery under G.S. 14-33(a). AOC data indicate that 4,529 defendants were charged under G.S. 14-33(a) for assault and battery and 21,661 defendants were charged with simple assault. However, the AOC is unable to estimate whether any of these charges, if any, involved acts proscribed in this bill. For such offenses, this bill would increase the punishment from a Class 2 misdemeanor to a Class A1 misdemeanor. The AOC anticipates additional cases in addition to the enhancement in penalty.

For A1 offenses that are brought to trial, the estimated court cost per trial is $2,594. For A1 offenses not brought to trial, and where a guilty plea is entered, AOC estimates the cost per guilty plea at $214.

SOURCES OF DATA: Department of Correction; Judicial Branch; North Carolina Sentencing and Policy Advisory Commission.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Nicole Kreiser
and
Jim Mills

APPROVED BY: James D. Johnson, Director Fiscal Research Division

DATE: April 17, 2003

2003 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representatives **Baker, Clary, Crawford, Earle, Grady, Owens, Sherrill, and Wright** (Chairs) for the Committee on **APPROPRIATIONS**.

☒ Judiciary I Committee Substitute for
S.B. 912 A BILL TO BE ENTITLED AN ACT TO CREATE THE OFFENSE OF SEXUAL BATTERY.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to the committee substitute bill (#), ☐ which changes the title, unfavorable as to (the original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

03/19/03

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lanier Cansler	DHHS
CH O Dom	DHHS
Steve Prescott	Southeastern Col. of Wake Board
Charlie Chrisawn	Poyner + Spruill
Doug Baker	DMH/DD/SAS
Phillip Hoffman	DMHDDSAS
Bill Weis	SBI
Buddy Early	SBI
Mike Budzynski	SBI
Stephanie Gilmore	NAMI Wake County
Susan Kovelak	NAMI Wake Co.

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Dobson	NC Statewatch.
John McHugh	
B.J McMillan	ADC NC
Susan Coward	NCDOT
Ken Irey	NC DOT
Nels Roseland	NC DoJ
Tracy Little	NC DOC
Starla McKenney	NC DHHS
Sally Camera.	NC Psychological
Don Willis	DMHDDSAS
Patsy Christian	DHHS-JUH

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Denise D Gunsin	Granville Co. Chamber of Commerce
Michael S. Fezer	Granville Co.
Martha Glass	NCDACS
Paul Kiesow	Granville Co
BRIAN ALLIGOOD	GRANVILLE COUNTY
Ron Alligood	Granville County Comm
Jack Dorsey	Town of Stem
Hugh Treadway	NCFA
[illegible]	NCCRA
JB Buxton	Gov off
Roz Savitt	NC CCC

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Gem Causby	NC SFSA
Roger C. Thompson	Char-Meck. Police
Gerry Akland	NAMI-WC
Josie Douglas	NAMI-WC
VL McBride	~~NAMI~~
W.L. Hopper	Granville County
Paula H. Hopper	Moore Van Allen
Eddie Caldwell	NC Sheriffs Assn / McLaw & Gibson
Leann Kelly	Moore-Van Allen
Monika Johnson-Hostler	NCCASA
Shaunis L. Mercer	NCCASA

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rob Lamm	NC DHHS
Chad Essick	Edmisten & Webb
Joann Stevens	NCCASA + nursing
Joe Stewart	Attn of State Treasurer
James Lumpkins	GRAN. CO. BOARD / COMMISSIONER
Pete Barnett	Gran. Co. Commission
David Smith	Sheriff Granville Co.
Karina Chapman	PPNS
Chang Liu	ACLU
Patricia A. Ufema	ARDCNC / ACLU
Lara Chastes	NC-ICL —

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tony Hatch	DHHS
Hadley Perry	Rep Gorman
Adam Fitzwater	Rep Gorman
Pam Jenkins	DHHS
Bill Wilson	NCATL
Gary Salamido	CSK
Manor Smith	GSK
A. Chance Wilkinson	City Commissioner of Oxford
RICHARD SEEKINS	Kerr Tar Regional Council of governments
Tim McDowell	NCICU
Evelyn Hawthorne	EHOR

VISITOR REGISTRATION SHEET

HOUSE APPROPRIATIONS — June 9, 2003

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jim Fyr	SBE
Diane Winn	ABC
Candie Lane	EGHS
Joe McClain	McClain Consulting
Ken Mathew	Allen Associates
Jo Ann Norris	Public School Forum
Andy Ellen	NCRMA
Bill Scoggin	KCCH
Mark Teague	Capitol Press

HOUSE APPROPRIATIONS COMMITTEE MEETING
Tuesday, December 9, 2003
12:00 Noon

MINUTES

The House Committee on Appropriation met jointly with the House Committee on Finance on Tuesday, December 09, 2003, at 12:00 pm, Room 643, Legislative Office Building. North Carolina House Speakers Black and Morgan authorized this interim meeting of the committee. Seventy-six members of the Appropriations Committee were present (Please see attendance sheet attached.)

Representative Gordon Allen, Co-Chair, Finance Committee, called the meeting to order at 12:15 pm. Secretary Jim Fain, NC Department of Commerce was invited to give a statement on the Job Growth and Infrastructure Act (See handouts #2A and B.) a bill to be introduced during a special session of the NC General Assembly scheduled to convene at 4:00 pm by proclamation of North Carolina Governor Michael F. Easley.

Secretary Fain told the committee that Merck Pharmaceutical Company, the second largest pharmaceutical company in the United States, was being recruited to locate a vaccine manufacturing facility in Treyburn in northern Durham County, North Carolina. Initially the project would employ up to 200 people, with average salaries of about $55,000. Secretary Fain gave some background information for Merck Company that is headquartered in White House Station, New Jersey, and employs 62,000 people at 31 facilities worldwide.

Following Secretary Fain's presentation, Mr. Don Feser, Director of Policy Research and Strategic Planning, NC Department of Commerce, gave an estimate of the costs and benefits impact on North Carolina from this project.

Mr. John Hobart, General Counsel and Legislative Liaison, NC Department of Commerce, explained the first part of the Job Growth and Infrastructure Act: The appropriation of $25 million to a non reverting fund to be used for site infrastructure for major industrial projects, effective when the bill becomes law; make various changes to the Job Development Investment Grant (JDIG) program, effective when the bill becomes law; extend the Bill Lee Act sunset and other deadlines for major pharmaceutical manufacturing and bioprocessing facilities, effective beginning in 2004; and to authorize annual sales tax refunds for construction materials for major pharmaceutical manufacturing and bioprocessing facilities, effective January 1, 2004.

Mr. Dan Gerlach, Economic Adviser to the Governor, spoke about the last part of the bill that extends the sunset on the cigarette exportation tax credit, which was created in 1999, from 2005 to 2018.

Representative Robert Grady called for questions from committee members. A lengthy question and answer period followed regarding this issue.
(Please see handouts #1A and B.)

Representative Grady adjourned the meeting at 1:55 pm.

Attachments to these minutes include handouts, visitors sheet, attendance sheet and a copy of the Governor's proclamation for extra session.

Respectfully submitted by:

_____
Representative Gordan Allen

_____
Representative Robert Grady
Presiding Chairs

_____
Peggy B. Murray
Committee Assistant

ATTENDANCE

HOUSE APPROPRIATIONS COMMITTEE

2003 - 2004 12-9-03

(Name of Committee)

DATES	12 NOON														
Adams, Alma S.															
Allen, Bernard	✓			✓											
Allen, Lucy T	✓			✓											
Allred, Cary D.				✓											
Baker, Rex L.	✓			✓											
Barbee, Bobby H.	✓			✓											
Barnhart, Jeffrey	✓			✓											
Bell, Larry M.	✓			✓											
Blust, John M.	✓			✓											
Bonner, Donald A.	✓			✓											
Bowie, Joanne W.	✓			✓											
Church, Walter G.	✓			✓											
Clary, Debbie A.															
Coates, Lorene T.	✓			✓											
Cole, E. Nelson	✓			✓											
Crawford, Jr.	✓			✓											
Culp, Arlie F.	✓			✓											
Daughtridge, Bill G.	✓			✓											
Daughtry, n. Leo	✓			✓											
Dickson, Margaret H.	✓			✓											
Dockham, Jerry C.	✓			✓											
Earle, Beverly M.	✓			✓											
England, Bob															
Farmer-Butterfield, Jean	✓			✓											
Fox, Stanley	✓			✓											

Frye, Phillip D.	✓			✓											
Gillespie, Mitch	✓			✓											
Goforth, D. Bruce	✓			✓											
Goodwin, G. Wayne	✓			✓											
Gorman, Michael A.	✓			✓											
Grady, W. Robert	✓			✓											
Gulley, Jim	✓			✓											
Hackney, Joe	✓														
Haire, R. Phillip	✓			✓											
Hall, John D.	✓														
Harrell, James A.	✓			✓											
Hilton, Mark K.	✓			✓											
Holmes, George M.	✓			✓											
Hunter, Howard J.	✓			✓											
Insko, Verla C.	✓			✓											
Jeffus, Maggie	✓			✓											
Johnson, Charles E.	✓			✓											
Johnson, Linda P.	✓			✓											
Justice, Carolyn H.	✓			✓											
Justus, Carolyn K.	✓			✓											
Kiser, Joe L.	✓			✓											
LaRoque, Stephen A.															
Lucus, Marvin W.	✓			✓											
McAllister, Mary E.															
McComas, Daniel F.															
McHenry, Patrick T.															
McLawhorn, Marian N.	✓			✓											
McMahan, W. Edwin	✓			✓											
Michaux, Henry M.	✓			✓											
Miller, Paul	✓			✓											
Mitchell, W. Franklin	✓			✓											
Moore, Tim															

Nesbitt, Martin L.	✓			✓											
Nye, Edd	✓			✓											
Owens, William C.	✓			✓											
Parmon, Earline W.	✓			✓											
Pate, Louis M.	✓			✓											
Preston, Jean R.	✓			✓											
Rapp, Ray	✓			✓											
Ray, Karen B.	✓			✓											
Rhodes, John W.	✓			✓											
Sauls, John I.	✓			✓											
Saunders, Drew P.	✓			✓											
Sexton, P. Way;ne	✓			✓											
Sherrill, Wilma M.	✓			✓											
Stam, Paul	✓			✓											
Stiller, Bonner L.	✓			✓											
Sutton, Ronnie N.	✓			✓											
Tolson, Joe P.	✓			✓											
Walend, Trudi	✓			✓											
Walker, R. Tracy	✓			✓											
Warner, Alex	✓			✓											
Warren, Edith D.	✓			✓											
West, Roger	✓			✓											
Williams, Arthur J.	✓			✓											
Williams, Keith P.	✓			✓											
Wilson, W. Eugene	✓														
Wright, Thomas E.	✓			✓											
Yongue, Douglas Y.	✓			✓											

State of North Carolina



MICHAEL F. EASLEY
GOVERNOR

PROCLAMATION OF AN EXTRA SESSION

Pursuant to the authority vested in the Governor by Article III, Section 5(7) of the Constitution of North Carolina, and by and with the advice of the Council of State, the General Assembly shall convene for an extra session on Tuesday, December 9, 2003 at 4:00 p.m. regarding the economic development incentives that businesses in current discussions with the Governor have indicated are necessary to make their decisions before the General Assembly regularly convenes on May 10, 2004 to locate large-scale projects in North Carolina. These incentives are limited to those projects that would provide the state with significant jobs and investment in the key industrial sectors of pharmaceutical and medicinal product manufacturing; bioprocessing; and tobacco manufacturing.

Done in Raleigh, North Carolina on December 8, 2003.



Michael F. Easley
Governor

HANDOUT #1 A
12-9-03

From: Rep. Stam

The Giveaway

Targeted tax incentives violate all the established principles of sound tax policy. Yet, they keep proliferating.

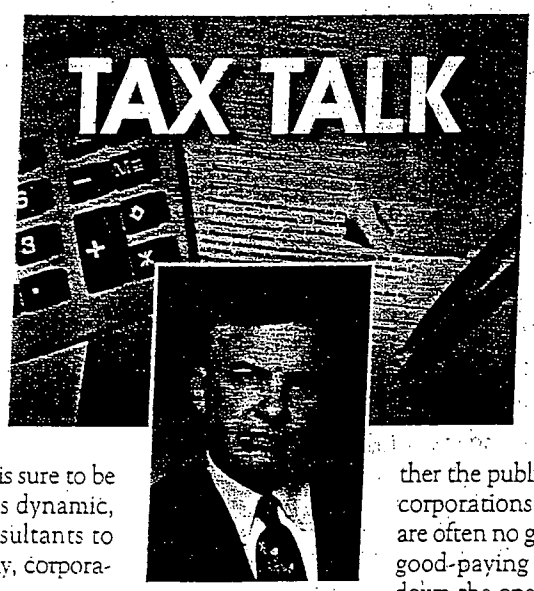
A few years ago, hotel giant Marriott International "hinted" that it was looking to move its headquarters out of Maryland's Montgomery County. Virginia politicians sprang into action, offering Marriott $6 million to cross the Potomac River. Fearing the loss of 3,000 high-paying jobs and a high-profile employer, Maryland countered with $58 million worth of incentives to stay.

It turns out that Marriott was never really interested in leaving Maryland. But it received a windfall for staying put.

With states still reeling from falling tax collections, here's an idea: End the practice of granting tax incentives to individual corporations as a means of fostering economic development.

Public finance experts have long criticized such targeted tax incentives as violating all the established principles of sound tax policy. Yet, these incentives have proliferated over the past quarter century. Hundreds of companies have received tax breaks worth billions of dollars. Alabama—a leader in the use of incentives—has granted Mercedes Benz more than $250 million in tax relief.

DAVID BRUNORI'S



Some of this is understandable. Politicians want to encourage investment and create jobs, and they believe that the most expedient way of doing so is to lure companies through tax concessions. Politicians also don't want to lose jobs. A company that is talking about leaving—as Marriott did—is sure to be offered tax breaks to stay. Aware of this dynamic, corporations have used an army of consultants to broker deals for tax incentives. Essentially, corporations have learned to "game" the system.

When it comes to spurring economic growth, incentives are certainly the quick fix. Other ways of attracting companies—creating better schools and transportation systems—take years to develop. Tax incentives can be pushed through the legislature lickety-split and then, just as quickly, the governor and legislative leaders can be standing at a ribbon-cutting ceremony announcing a new manufacturing plant that will employ hundreds of citizens.

Despite its political allure, the targeted tax incentive is a poor policy choice. First, and most important at this time, it costs a lot of money. Even conservative estimates place the lost tax revenue at billions of dollars over the past decade. Curbing or ending their use could balance the budgets in many states.

Second, it's unnecessary. Corporations are far more interested in access to market, an educated workforce and labor costs than state tax burdens. As former U.S. Secretary of the Treasury Paul O'Neill said during his confirmation hearings: "I never made an investment decision based on the tax code. Good business people don't do something because of [tax] inducements." O'Neill led corporate giants International Paper and Alcoa.

Third, tax incentives are patently unfair. Typically, a corporation is offered significant tax breaks for creating a certain number of jobs and investing a certain amount of money in the state. But what of the companies that have already created the jobs and invested the money? They receive nothing. Similarly, corporations that threaten to leave a state often receive tax breaks for staying put. But what of the companies that do not have the nerve or guile to threaten to leave? The companies and individuals not receiving concessions end up paying more to support public services.

Fourth, tax-incentive programs suffer from a lack of accountability. Neither the public nor most political leaders know if the corporations are doing what they promised. There are often no guarantees that the recipients will create good-paying jobs or that a company won't close down the operation a year or two later.

Under the current system, government action is prompted by fear of losing jobs to other states, dubious promises and empty threats. The system prompts companies that do not receive incentives to lobby legislatures for similar breaks. And, the incentives run roughshod over the ideal that government should minimize its presence in the marketplace.

Competition among the states, based on low tax burdens and good public services, is a good thing. But providing tax breaks to particular companies in return for a promise of doing what most companies would do anyway violates all notions of good government. Ending the practice would result in a fairer, more efficient and more accountable public-finance system. It might just save states a little money as well. G

STEVE DAVIES

David Brunori, contributing editor for State Tax Notes *and research professor of public policy at George Washington University, can be reached at dbrunori@tax.org*

From: Rep. Stam
HANDOUT # 1 B

SUMMARY REPORT
2003 Assessment of the William S. Lee Tax Act

Michael I. Luger, Professor and Director[1]

Office of Economic Development
Kenan Institute of Private Enterprise
University of North Carolina at Chapel Hill

Contact information:

The University of North Carolina at Chapel Hill Campus Box 3440, The Kenan Center, Chapel Hill, NC 27599-3440
919 962 8870 FAX 919 962 8202 E-MAIL mluger@email.unc.edu www.kenaninstitute.unc.edu/OED/

KENAN-FLAGLER
UNC-CHAPEL HILL

[1] The author acknowledges the very able research assistance of Earl (Pat) Cline, an MBA student at the Kenan-Flagler Business School, UNC-Chapel Hill, and Suho Bae, a Ph.D. student in Public Policy and Research Associate in the Office of Economic Development. We are grateful to Secretary Tolson and the staff of the tax research division of DOR, especially Karl Knapp and Greg Sampson. Stewart Dickinson, Jim Haag, Don Hobart, and Ed Feser, at NCDOC also have provided invaluable guidance. This version of the report reflects extensive input from the Tax Research Division of the Department of Revenue, to whom we are grateful.

The economic slowdown that affected the number of claimants also shows up in the pattern of credits generated and utilized. We can see in the third column of the table an increase in credits generated through 1999, and then a falling-off. The 2001 generated figure is artificially low; late filers for 2001 will show up in the batch of returns that are part of the 2002 processing year, just as the 2001 and 2000 processing years included 2000 and 1999 year returns, respectively. The fourth column shows a slow-down in credits claimed or utilized. That is not surprising since businesses need to have taxable income to offset, and are subject to the 50 percent rule. So, as the bottom line weakens for businesses, the less useful the credits become.

The state has to consider not only the year-to-year tax expenditure (credits utilized), but also the future tax expenditure liability (the fifth column of table 1). Credits that cannot be utilized because of the lack of taxable income and the 50 percent rule can be carried forward, currently for five years in most cases for the jobs, M&E, worker training, and CAO credits, and fifteen years for the R&D credit. And, the credits utilized in any one tax year do not reflect future installments. So, if the Act were to be terminated today, the state would still have *up to* $947.4 million in future tax expenditure liability.

The words "up to" are important. That $947.4 million is an upper bound to the future liability because businesses that now qualify for installments and carryovers may not end up receiving them, for four principal reasons:

(1) their behavior may not be as required under the terms of the Act, making them ineligible for some of the remaining credits,

(2) the firm may cease to exist (close or move or be merged and not seek tax credits in North Carolina),

(3) the firms may never be able to offset some of its taxes either because it runs out of time to use carryovers, or never generates net revenue, and

(4) firms may decide it is too bothersome to fill out the forms required in order to get a relatively small amount of remaining credits.

We do not have enough experience with the William S. Lee Act to be able to detect patterns in businesses' long-term utilization of tax credits. Therefore, we cannot predict with certainty the share of the outstanding liability that will be used by businesses.

Table 1 also shows the distribution of tax expenditures among the five categories of Lee Act credits. That is summarized graphically for 1996-2001 for credits generated and 1997-2001 for credits utilized. The machinery and equipment tax credit is the largest in terms of generated tax expenditures in each of the years, and in four of five years for credit utilization. Worker training and central administrative office credits are small in relative terms, in terms of generation and use.

Lee Act tax credits go to businesses and individual taxpayers filing personal, estate, and partnership returns, for income passed through from businesses in which they had ownership shares. In the 1999-2001 period alone, that tax expenditure amounted to $8,332,515.

for that purpose. The credits claimed are not for a single year's new activity, but for all previous activity (and includes carryovers and installments). But, the credits generated values – which are used to generate associated activity -- are for the tax year indicated. To deal with that problem, we estimate a single number for gross effectiveness, aggregating all years' credits claimed and dividing by all associated activity. When we do that, we have the following indicators:

- dollars of associated M&E investment per dollar of credits claimed: $105.86
- tax expenditures per dollar of associated employment from jobs credit: $206-$327
- tax expenditures per dollar of associated trained worker: $287.26
- dollars of associated R&D spending per dollar of credits claimed: $62.98
- dollars of associated CAO investment per dollar of credits claimed: $59.44

By the indicators in table 2 the Lee Act appears to be effective. However, to gauge economic efficiency we need to answer the counterfactual question: how much of the new activity is induced, i.e., would not have occurred anyway? In a scholarly paper based on 2001 Lee Act Report, Luger and Bae (2003) estimate that only around 4 percent of the jobs claimed to be created with Lee Act incentives actually were induced. That means the cost of induced job per credit dollar is much higher than what is shown above and in table 2 – in the $5150 to $8175 range. Whether that is too high is a value question which has been debated with regard to many different approaches to job creation. In any case, one could argue that the Lee Act is not intended just to induce hiring by the firms using the incentives. One interpretation of its broader purpose is to make North Carolina businesses more competitive. Having more money after taxes may induce recipient businesses to expand within North Carolina, perhaps at another location, or could increase dividend payouts to shareholders. Or the recipient businesses could use the additional liquidity to modernize – enabling them to produce more goods and services with fewer workers. Those businesses will increase in capital value, benefiting their shareholders.

Finally, a relevant issue is how many tax credit dollars have gone to individual claimants. Given the cost of the application and the time and effort required to qualify and follow-up, businesses would need to get a large payoff to make the pursuit of tax credits worthwhile. The data we had accessible were not ideal to answer the question. DOR reported to us the number of new claimants in each year. Assuming that each new claimant stays in the system to collect future carryovers and installments, we could simply aggregate the numbers in the following way:

- in 1997, 94 new claimants received $4,142,674 in credits
- in 1998, those 94, plus 163 new claimants received $11,091,833
- in 1999 those 257, plus 360 new claimants received $40,695,976
- in 2000, those 617, plus 706 new claimants received $31,196,977, and
- in 2001, those 1323, plus 529 new claimants, received $28,828,896

That would generate average tax expenditures of approximately $44,000, $43,000, $66,000, $23,500, and $15,500 in each succeeding year, 1997-2001.

HANDOUT #2
T A

HOUSE DRAFT BILL 2003-LC-1650: Job Growth & Infrastructure Act

BILL ANALYSIS

Committee:
Date: December 9, 2003
Version: Draft

Sponsor: Rep. G. Allen
Analysis by: Martha H. Harris
Staff Attorney

SUMMARY: This bill would make the following economic development changes:

- ***Appropriate $25 million to a nonreverting fund to be used for site infrastructure for major industrial projects, effective when the bill becomes law.***
- ***Make various changes to the Job Development Investment Grant (JDIG) program, effective when the bill becomes law.***
- ***Extend the Bill Lee Act sunset and other deadlines for major pharmaceutical manufacturing and bioprocessing facilities, effective beginning in 2004.***
- ***Authorize annual sales tax refunds for construction materials for major pharmaceutical manufacturing and bioprocessing facilities, effective January 1, 2004.***
- ***Extend the sunset on the cigarette exportation tax credit from 2005 to 2018.***

Major Industrial Site Infrastructure

Part 1 of the bill would create a nonreverting Site Infrastructure Development Fund in the Department of Commerce to fund site acquisition and development and other capital expenses related to major industrial development. The bill would appropriate $25 million to the new Fund for the 2003-2004 fiscal year. A Site Infrastructure Development incentive may be in the form of a restricted grant or forgivable loan directly to a business or a grant to a government or nonprofit agency to administer the incentive.

Projects built with this appropriation are exempted from State construction requirements, State purchase and contract requirements, and from the part of the State Environmental Policy Act that requires detailed environmental impact statements when public funds or public lands are used for projects and programs significantly affecting the quality of the environment.

Eligible businesses may apply for site development incentives. To qualify for a site development incentive, a business must employ at least 100 new fulltime employees and invest at least a $100 million of private funds in the project. The Department of Commerce and the Economic Investment Committee[1] will administer the selection

[1] The Economic Investment Committee, which administers the JDIG program, is a five-member committee consisting of the Secretary of Commerce, the Secretary of Revenue, the Director of the Office of State Budget

process, including developing appropriate criteria for evaluating applicants. Section 1.3 of the bill exempts them from rulemaking procedures in administering this program. Site development incentives can be awarded only if necessary to secure the project in this State. The before approving an application, the Committee must find that the price to be paid for the site is appropriate and not excessive. Section 1.4 of the bill provides that the JDIG conflict of interest restrictions will apply to the site infrastructure development program as well.

Once an incentive is awarded, the Department will enter into an agreement with the business to provide site development within available funds. The agreement is binding on both parties. The agreement must include performance criteria, remedies, and other safeguards to protect the State's investment. The Attorney General must review and approve each agreement.

After a site development incentive is in effect, the Department of Commerce is responsible for monitoring the business's compliance with performance criteria and for carrying out the clawback process if there is a default. Section 1.2(b) of the bill appropriates $65,000 to Commerce for the 2004-2005 fiscal year to support a position to carry out this function. These funds are intended to become part of the Department's continuing budget.

The Department of Commerce is required to report quarterly to Governmental Operations on the details of the program, including projects that receive incentives and any defaults and repayments. This report must also be made available to the public.

Job Development Investment Grant Changes

Part 2 of the bill makes several changes to the JDIG program. These changes would be effective when the bill becomes law.

Section 2.2 provides that, in determining whether a business has increased or maintained employment, the Committee can decide to look at a division or unit of a business rather than the entire business. Choosing this option means that if the entire business decreases employment, it may still qualify for a grant for a division or unit within the business that increases employment. The Committee can choose this option only if it is necessary to secure the project and the contract contains terms to assure that the business does not create eligibility by transferring existing jobs to the project.

Section 2.3 of the bill repeals the wage standard as it applies to the JDIG program. This proposal arises due to several concerns. First, at the time a business applies for a JDIG grant, the wages to be paid are just projections. Second, the law has been interpreted to require the jobs to meet not only the current wage standard, but also future wage standards, which can fluctuate annually. This creates a great deal of uncertainty as to the prospect of actually receiving a grant in future years of the contract. Third, while there is no wage standard for tiers one and two and the wage standard is set below the county average for prosperous tier five counties, the mid-range counties must meet the actual county average. With sudden and severe dislocation, the wage standard may

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and Management, one member appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives, and one member appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate

block incentives for a project that would be vital to economic recovery for a county suffering from dislocation of manufacturing industries. Finally, because grants are awarded at the discretion of the Committee, the Committee can use its judgment to assure that grants are not awarded to inappropriate, low-wage projects.

Sections 2.1, 2.4, and 2.5 are more technical. Section 2.1 clarifies that the base period for measuring performance under a grant agreement can be any 24 months starting when performance begins – it is not limited to calendar years. Section 2.1 also adds the definition of enterprise tier to the statute. Section 2.4 clarifies the procedure for publication and public comment on proposed changes to the JDIG criteria. Section 2.5 clarifies that payments under a grant can begin on a future date after it is awarded, as long as they begin within six years.

Extend Bill Lee Credits for Certain Major Industries

In 2002, the General Assembly extended the sunset date on the Bill Lee Act until January 1, 2010, for certain interstate air couriers and also increased various time frames in the Bill Lee Act from two years to seven years. The rationale for these extensions was that the interstate air courier industry, and the construction of a hub in particular, face many regulatory, administrative, and legal hurdles not generally faced by other industries. Due to these extra burdens, there is generally a longer period between the time that a project is announced and a location is selected and the time the facility is placed in service.

Effective beginning with the 2004 tax year, Part 3 of the bill makes the same extensions for eligible major industries. An eligible major industry is either of the following two industries if the taxpayer will invest at least $100 million in acquiring, constructing, or equipping a facility to engage in the industry:

- Bioprocessing
- Pharmaceutical and Medicine Manufacturing

If the taxpayer does not in fact invest the required amount, it forfeits the benefits of the extensions and must repay the credits.

Major Industrial Facility Sales Tax Refunds

Part 4 of the bill creates an annual refund of State and local sales taxes paid on construction materials and fixtures for facilities that involve the investment of more than $100 million by the taxpayer and are primarily used for either of the following two industries:

- Bioprocessing
- Pharmaceutical and Medicine Manufacturing

The taxpayer must apply for the sales tax refund within six months after the end of the State's fiscal year. The refund would become effective for sales taxes paid on or after January 1, 2004. If, after obtaining a refund, the taxpayer does not end up investing the required amount, the taxpayer forfeits the refund.

Cigarette Exportation Tax Credit

Part 5 of the bill extends for thirteen years the sunset of the corporate income tax credit for manufacturing cigarettes for exportation, G.S. 105-130.45, which was

enacted in 1999. The credit is a dollar amount per cigarette exported for those manufacturers who export at least 50% as many cigarettes in the taxable year as they did in calendar year 1998. The dollar amount ranges from forty cents to twenty cents per 1,000 cigarettes exported. The credit is capped at the lesser of $6 million per year or 50% of the manufacturer's corporate tax liability for any given year. The credit is set to sunset for cigarettes exported on or after January 1, 2005. Part 5 of the bill would change the sunset to 2018.

Prior to enactment of the cigarette exportation tax credit during the 1999 Session, the issue was raised as to whether or not that tax credit would violate GATT, one of the international trade agreements. The General Assembly staff was of the opinion that the tax credit would violate GATT, while counsel for one of the four tobacco manufacturers disagreed. This issue has not been resolved, and the proposed credit in this bill presents the same issue. It is clear, however, that any challenge to either the current credit or the credit proposed in this bill must come from a foreign government. If a foreign government were to challenge the credit, then the U.S. Justice Department could sue North Carolina. If the Department were to win, the federal statute provides that relief would be prospective only and persons who had already used the credit could not be required to repay it. Private citizens have no cause of action on the issue.

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GENERAL ASSEMBLY OF NORTH CAROLINA
SECOND EXTRA SESSION 2003

H D

BILL DRAFT 2003-LC-165T [v.1] (11/05)

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
12/9/2003 10:30:26 AM

Short Title: Job Growth and Infrastructure Act. (Public)

Sponsors: Representative G. Allen.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO MAKE THE FOLLOWING CHANGES RECOMMENDED BY THE GOVERNOR: (1) APPROPRIATE TWENTY-FIVE MILLION DOLLARS FOR INDUSTRIAL SITE INFRASTRUCTURE FOR MAJOR PROJECTS; (2) MODIFY THE JOB DEVELOPMENT INVESTMENT GRANT PROGRAM; (3) PROVIDE INCENTIVES FOR MAJOR PHARMACEUTICAL AND BIOPROCESSING FACILITIES BY EXTENDING THE BILL LEE ACT SUNSET FOR THESE INDUSTRIES AND AUTHORIZING SALES TAX REFUNDS FOR CONSTRUCTION MATERIALS FOR THESE INDUSTRIES; AND (4) EXTEND THE SUNSET ON THE CIGARETTE EXPORTATION TAX CREDIT.

The General Assembly of North Carolina enacts:

PART 1. MAJOR INDUSTRIAL SITE INFRASTRUCTURE

SECTION 1.1. Part 2 of Article 10 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"**§ 143B-437.02. Site infrastructure development.**

(a) Findings. – The General Assembly finds that:

(1) It is the policy of the State of North Carolina to stimulate economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State.

(2) Both short-term and long-term economic trends at the State, national, and international levels have made the successful implementation of the State's economic development policy and programs both more critical and more challenging; and the decline in the State's traditional industries, and the resulting adverse impact upon the State and its

citizens, have been exacerbated in recent years by adverse national and State economic trends that contribute to the reduction in the State's industrial base and that inhibit the State's ability to sustain or attract new and expanding businesses.

(3) The economic condition of the State is not static and recent changes in the State's economic condition have created economic distress that requires the enactment of a new program as provided in this section that is designed to stimulate new economic activity and to create new jobs within the State.

(4) The enactment of this section is necessary to stimulate the economy, facilitate economic recovery, and create new jobs in North Carolina and this section will promote the general welfare and confer, as its primary purpose and effect, benefits on citizens throughout the State through the creation of new jobs, an enlargement of the overall tax base, an expansion and diversification of the State's industrial base, and an increase in revenue to the State and its political subdivisions.

(5) The purpose of this section is to stimulate economic activity and to create new jobs within the State.

(b) Fund. – The Site Infrastructure Development Fund is created as a restricted reserve in the Department of Commerce. The Department may use the funds in the fund only in accordance with this section for site development. Funds in the fund do not revert but remain available to the Department for these purposes.

(c) Definitions. – The definitions in G.S. 143B-437.51 apply in this section. In addition, the following definitions apply in this section:

(1) Department. – The Department of Commerce.

(2) Site development. – Any of the following:

a. A restricted grant or a forgivable loan made to a business to enable the business to acquire land, improve land, or both.

b. A grant to one or more State agencies or nonprofit corporations to enable the grantees to acquire land, improve land, or both and to lease the property to a business.

c. A grant to one or more local government units to enable the units to acquire land, improve land, or both and to lease the property to a business.

(d) Eligibility. – To be eligible for consideration for site development for a project, a business must meet both of the following conditions:

(1) The business will invest at least one hundred million dollars ($100,000,000) of private funds in the project.

(2) The project will employ at least 100 new employees.

(e) Selection. – The Department of Commerce shall administer the selection of projects to receive site development. The selection process shall include the following components:

(1) Criteria. – The Department of Commerce must develop criteria to be used to identify and evaluate eligible projects for possible site development.

(2) Initial evaluation. – The Department must evaluate major competitive projects to determine if site development is merited and to determine whether the project is eligible and appropriate for consideration for site development.

(3) Application. – The Department must require a business to submit an application in order for a project to be considered for site development. The Department must prescribe the form of the application, the application process, and the information to be provided, including all information necessary to evaluate the project in accordance with the applicable criteria.

(4) Committee. – The Department must submit to the Economic Investment Committee the applications for projects the Department considers eligible and appropriate for consideration for site development. In evaluating each application, the Committee must consider all of the factors set out in Section 2.1(b) of S.L. 2002-172.

(5) Findings. – In order to recommend a project for site development, the Committee must make all of the following findings:

a. The conditions for eligibility have been met.

b. Site development for the project is necessary to carry out the public purposes provided in subsection (a) of this section.

c. The project is consistent with the economic development goals of the State and of the area where it will be located.

d. The affected local governments have participated in recruitment and offered incentives in a manner appropriate to the project.

e. The price and nature of any real property to be acquired is appropriate to the project and not unreasonable or excessive.

f. Site development under this section is necessary for the completion of the project in this State.

(6) Recommendations. – If the Committee recommends a project for site development, it must recommend the amount of State funds to be committed, the preferred form and details of the State participation, and the performance criteria and safeguards to be required in order to protect the State's investment.

(f) Agreement. – Unless the Secretary of Commerce determines that the project is no longer eligible or appropriate for site development, the Department shall enter into an agreement to provide site development within available funds for a project recommended by the Committee. Each site development agreement is binding and constitutes a continuing contractual obligation of the State and the business. The site development agreement must include all of the performance criteria, remedies, and other safeguards recommended by the Committee or required by the Department to secure the State's investment. Nothing in this section constitutes a guarantee or

assumption by the State of any debt of any business or authorizes the taxing power or the full faith and credit of the State to be pledged.

The Department shall cooperate with the Department of Administration and the Attorney General's Office in preparing the documentation for the site development agreement. The Attorney General shall review the terms of all proposed agreements to be entered into under this section. To be effective against the State, an agreement entered into under this section must be signed personally by the Attorney General.

(g) Safeguards. – To ensure that public funds are used only to carry out the public purposes provided in this section, the Department shall require that each business that receives State-funded site development must agree to meet performance criteria to protect the State's investment and assure that the projected benefits of the project are secured. The performance criteria to be required shall include creation and maintenance of an appropriate level of employment and investment over the term of the agreement and any other criteria the Department considers appropriate. The agreement must require the business to repay or reimburse an appropriate portion of the State funds expended for the site development, based on the extent of any failure by the business to meet the performance criteria. The agreement must provide a method for securing these payments from the business, such as structuring the site development as a conditional grant, a forgivable loan, or a revocable lease.

(h) Monitoring and Reports. – The Department is responsible for monitoring compliance with the performance criteria under each site development agreement and for administering the repayment in case of default. The Department shall pay for the cost of this monitoring from funds appropriated to it for that purpose or for other economic development purposes.

Within two months after the end of each calendar quarter, the Department shall report to the Joint Legislative Commission on Governmental Operations regarding the Site Infrastructure Development Program. This report shall include a listing of each agreement negotiated and entered into during the preceding quarter, including the name of the business, the cost/benefit analysis conducted by the Committee during the application process, a description of the project, and the amount of the site development incentive expected to be paid under the agreement during the current fiscal year. The report shall also include detailed information about any defaults and repayment during the preceding quarter. The Department shall publish this report on its web site and shall make printed copies available upon request."

SECTION 1.2.(a) There is appropriated from the General Fund to the Site Infrastructure Development Fund in the Department of Commerce the sum of twenty-five million dollars ($25,000,000) for the 2003-2004 fiscal year to be used only in accordance with G.S. 143B-437.02, as enacted by this part.

SECTION 1.2.(b) There is appropriated from the General Fund to the Department of Commerce the sum of sixty-five thousand dollars ($65,000) for the 2004-2005 fiscal year for a program administrator for the site infrastructure development program created by this part. It is the intent of the General Assembly that funds for administering this program shall be part of the Department of Commerce's continuation budget.

SECTION 1.2.(c) Site development funded by money appropriated under this section is not subject to Article 8 of Chapter 143 of the General Statutes (public contracts) or Article 3 of Chapter 143 of the General Statutes (purchases and contracts). Actions involving expenditures of public moneys or use of public lands for projects and programs involved in site development funded by money appropriated under this section are exempt from the requirements of Article 1 of Chapter 113A of the General Statutes. This exemption does not apply to an ordinance adopted under G.S. 113A-8.

SECTION 1.3. G.S. 150B-1(d) is amended by adding a new subdivision to read:

"(d) Exemptions from Rule Making. – Article 2A of this Chapter does not apply to the following:

...

(12) The Department of Commerce and the Economic Investment Committee in developing criteria and administering the Site Infrastructure Development Program under G.S. 143B-437.02."

SECTION 1.4. G.S. 143B-437.54(c) reads as rewritten:

"(c) Conflict of Interest. – It is unlawful for a current or former member of the Committee to, while serving on the Committee or within two years after the end of service on the Committee, provide services for compensation, as an employee, consultant, or otherwise, to any business or a related member of the business that is awarded a grant under this Part or under G.S. 143B-437.02 while the member is serving on the Committee. Violation of this subsection is a Class 1 misdemeanor. In addition to the penalties imposed under G.S. 15A-1340.23, the court shall also make a finding as to what compensation was received by the defendant for services in violation of this section and shall order the defendant to forfeit that compensation.

If a person is convicted under this section, the person shall not provide services for compensation, as an employee, consultant, or otherwise, to any business or a related member of the business that was awarded a grant under this Part or under G.S. 143B-437.02 while the member was serving on the Committee until two years after the person's conviction under this section."

SECTION 1.5. This part is effective when it becomes law.

PART 2. JOB DEVELOPMENT INVESTMENT GRANT CHANGES

SECTION 2.1. G.S. 143B-437.51 reads as rewritten:

"**§ 143B-437.51. Definitions.**

The following definitions apply in this Part:

...

(2) Base years. – The first ~~two complete calendar years~~ 24 months following the ~~effective date of an agreement.~~date set by the Committee for performance to begin under the agreement.

...

(5a) Enterprise tier. – The classification assigned to an area pursuant to G.S. 105-129.3."

SECTION 2.2. G.S. 143B-437.52 is amended by adding a new subsection to read:

"(d) Measuring Employment. – For the purposes of subdivision (a)(1) of this section and G.S. 143B-437.57(a)(11), the Committee may designate that the increase or maintenance of employment is measured at the level of a division or another operating unit of a business, rather than at the business level, if both of the following conditions are met:

(1) The Committee makes an explicit finding that the designation is necessary to secure the project in this State.

(2) The designation contains terms to ensure that the business does not create eligible positions by transferring or shifting to the project existing positions from another project of the business or a related entity of the business."

SECTION 2.3. G.S. 143B-437.53(d) is repealed.

SECTION 2.4. G.S. 143B-437.54(d) reads as rewritten:

"(d) Public Notice. – At least 20 days before the effective date of any criteria or nontechnical amendments to criteria, the Committee must publish the proposed criteria on the Department of Commerce's web site and provide notice to persons who have requested notice of proposed criteria. In addition, the Committee must accept oral and written comments on the proposed criteria during the 15 business days beginning on the first day that the Committee has completed these notifications. For the purpose of this subsection, a technical amendment is either of the following:

(1) An amendment that corrects a spelling or grammatical error.

(2) An amendment that makes a clarification based on public comment and could have been anticipated by the public notice that immediately preceded the public comment.

~~The Committee shall do all of the following at least 15 business days prior to the adoption of or amendment to any proposed criteria:~~

~~(1) Publish the proposed criteria on the Department of Commerce's web site.~~

~~(2) Provide notice to persons who have requested notice of proposed criteria.~~

~~(3) Accept oral and written comments on the proposed criteria.~~"

SECTION 2.5. G.S. 143B-437.56(b) reads as rewritten:

"(b) The term of the grant shall not exceed 12 years starting with the first year a grant payment is made. The first grant payment must be made within six years after the date on which the grant was awarded."

SECTION 2.6. This part is effective when it becomes law.

PART 3. EXTEND BILL LEE CREDITS FOR CERTAIN MAJOR INDUSTRIES

SECTION 3.1. G.S. 105-129.2 is amended by adding a new subdivision to read:

"**§ 105-129.2. Definitions.**

The following definitions apply in this Article:

. . .

(8a) Eligible major industry. – A taxpayer is an eligible major industry for the purposes of this Article if the taxpayer is primarily engaged in one

of the industries listed in G.S. 105-164.14(j)(3) and the Secretary of Commerce has certified that the owner of the facility will invest at least one hundred million dollars ($100,000,000) of private funds to acquire, construct, and equip a facility in this State to engage in one or more of those industries."

SECTION 3.2. G.S. 105-129.2A reads as rewritten:

"**§ 105-129.2A. Sunset; studies.**

(a) Sunset. – This Article is repealed effective for business activities that occur on or after January 1, 2006.

(a1) Sunset for Interstate Air Couriers. – Notwithstanding subsection (a) of this section, in the case of an interstate air courier that enters into a real estate lease on or before January 1, 2006, with an airport authority that provides for the lease of at least 100 acres of real property with a lease term in excess of 15 years, this Article is repealed effective for business activities that occur on or after January 1, 2010.

(a2) Sunset for Eligible Major Industries. – Notwithstanding subsection (a) of this section, in the case of a taxpayer that qualifies as an eligible major industry on or before January 1, 2006, this Article is repealed effective for business activities that occur on or after January 1, 2010.

(b) Equity Study. – The Department of Commerce shall study the effect of the tax incentives provided in this Article on tax equity. This study shall include the following:

(1) Reexamining the formula in G.S. 105-129.3(b) used to define enterprise tiers, to include consideration of alternative measures for more equitable treatment of counties in similar economic circumstances.

(2) Considering whether the assignment of tiers and the applicable thresholds are equitable for smaller counties, for example those under 50,000 in population.

(3) Compiling any available data on whether expanding North Carolina businesses receive fewer benefits than out-of-State businesses that locate to North Carolina.

(c) Impact Study. – The Department of Commerce shall study the effectiveness of the tax incentives provided in this Article. This study shall include:

(1) Study of the distribution of tax incentives across new and expanding industries.

(2) Examination of data on economic recruitment for the period from 1994 through the most recent year for which data are available by county, by industry type, by size of investment, and by number of jobs, and other relevant information to determine the pattern of business locations and expansions before and after the enactment of the William S. Lee Act incentives.

(3) Measuring the direct costs and benefits of the tax incentives.

(4) Compiling available information on the current use of incentives by other states and whether that use is increasing or declining.

(d) Report. – The Department of Commerce shall report the results of these studies and its recommendations to the General Assembly biennially with the first report due by April 1, 2001."

SECTION 3.3. G.S. 105-129.4(b1) reads as rewritten:

"(b1) Large Investment. – A taxpayer who is otherwise eligible for a tax credit under this Article becomes eligible for the large investment enhancements provided for credits under this Article if the Secretary of Commerce makes a written determination that the taxpayer is expected to purchase or lease, and place in service in connection with the eligible business within a two-year period, at least one hundred fifty million dollars ($150,000,000) worth of one or more of the following: real property, machinery and equipment, or central office or aircraft facility property. In the case of an interstate air courier that has or is constructing a hub in this ~~State,~~State and in the case of an eligible major industry, this investment may be placed in service in connection with the eligible business within a seven-year period. If the taxpayer fails to make the required level of investment within the applicable period, the taxpayer forfeits the large investment enhancements as provided in subsection (d) of this section."

SECTION 3.4. G.S. 105-129.4(d) reads as rewritten:

"(d) Forfeiture. – A taxpayer forfeits a credit allowed under this Article if the taxpayer was not eligible for the credit for the calendar year in which the taxpayer engaged in the activity for which the credit was claimed. In addition, a taxpayer forfeits a large investment enhancement of a tax credit if the taxpayer fails to timely make the required level of investment under subsection (b1) of this section. If an eligible major industry fails to timely make the required level of investment under G.S. 105-129.2(8a), the taxpayer forfeits all credits allowed under this Article that it would not otherwise have been eligible for if it were not an eligible major industry. A taxpayer forfeits the credit for substantial investment in other property allowed under G.S. 105-129.12A if the taxpayer fails to timely create the number of required new jobs or to timely make the required level of investment under subsection (b5) of this section. A taxpayer forfeits the technology commercialization credit allowed under G.S. 105-129.9A if the taxpayer fails to make the level of investment required by subsection (e) of that section within the required period or if the taxpayer fails to meet the terms of its licensing agreement with a research university. If a taxpayer claimed a twenty percent (20%) technology commercialization credit under G.S. 105-129.9A(d) and fails to make the level of investment required under that subsection within the required period, but does make the level of investment required under subsection (e) of that section within the required period, the taxpayer forfeits one-fourth of the twenty percent (20%) credit.

A taxpayer that forfeits a credit under this Article is liable for all past taxes avoided as a result of the credit plus interest at the rate established under G.S. 105-241.1(i), computed from the date the taxes would have been due if the credit had not been allowed. The past taxes and interest are due 30 days after the date the credit is forfeited; a taxpayer that fails to pay the past taxes and interest by the due date is subject to the penalties provided in G.S. 105-236. If a taxpayer forfeits the credit for creating jobs, the technology commercialization credit, or the credit for investing in machinery and equipment, the taxpayer also forfeits any credit for worker training claimed for the jobs

for which the credit for creating jobs was claimed or the jobs at the location with respect to which the technology commercialization credit or the credit for investing in machinery and equipment was claimed."

SECTION 3.5. G.S. 105-129.5(c) reads as rewritten:

"(c) Carryforward. – Any unused portion of a credit with respect to a large investment, with respect to the technology commercialization credit allowed in G.S. 105-129.9A, or with respect to substantial investment in other property under G.S. 105-129.12A may be carried forward for the succeeding 20 years. Any unused portion of a credit with respect to research and development activities under G.S. 105-129.10 may be carried forward for the succeeding 15 years. Any unused portion of a credit may be carried forward for the succeeding 10 years if, before the taxpayer claims the credit, the Secretary of Commerce makes a written determination that the taxpayer is expected to purchase or lease, and place in service in connection with the eligible business within a two-year period, at least fifty million dollars ($50,000,000) worth of one or more of the following: real property, machinery and equipment, or central office or aircraft facility property. In the case of an interstate air courier that has or is constructing a hub in this ~~State,~~State and in the case of an eligible major industry, this investment may be placed in service in connection with the eligible business within a seven-year period. If the taxpayer fails to make the required level of investment within the applicable period, the taxpayer forfeits this enhanced carryforward period. Any unused portion of any other credit may be carried forward for the succeeding five years."

SECTION 3.6. G.S. 105-129.8(d) reads as rewritten:

"(d) Planned Expansion. – A taxpayer that signs a letter of commitment with the Department of Commerce to create at least twenty new full-time jobs in a specific area within two years of the date the letter is signed qualifies for the credit in the amount allowed by this section based on the area's enterprise tier and development zone designation for that year even though the employees are not hired that year. In the case of an interstate air courier that has or is constructing a hub in this ~~State,~~State and in the case of an eligible major industry, the applicable time period is seven years. The credit shall be available in the taxable year after at least twenty employees have been hired if the hirings are within the applicable commitment period. The conditions outlined in subsection (a) apply to a credit taken under this subsection except that if the area is redesignated to a higher-numbered enterprise tier or loses its development zone designation after the year the letter of commitment was signed, the credit is allowed based on the area's enterprise tier and development zone designation for the year the letter was signed. If the taxpayer does not hire the employees within the applicable period, the taxpayer does not qualify for the credit. However, if the taxpayer qualifies for a credit under subsection (a) in the year any new employees are hired, the taxpayer may take the credit under that subsection."

SECTION 3.7. G.S. 105-129.9(e) reads as rewritten:

"(e) Planned Expansion. – A taxpayer that signs a letter of commitment with the Department of Commerce to place specific eligible machinery and equipment in service in an area within two years after the date the letter is signed may, in the year the eligible machinery and equipment are placed in service in that area, calculate the credit for

which the taxpayer qualifies based on the area's enterprise tier and development zone designation for the year the letter was signed. In the case of an interstate air courier that has or is constructing a hub in this ~~State,~~State and in the case of an eligible major industry, the applicable time period is seven years. All other conditions apply to the credit, but if the area has been redesignated to a higher-numbered enterprise tier or has lost its development zone designation after the year the letter of commitment was signed, the credit is allowed based on the area's enterprise tier and development zone designation for the year the letter was signed. If the taxpayer does not place part or all of the specified eligible machinery and equipment in service within the applicable period, the taxpayer does not qualify for the benefit of this subsection with respect to the machinery and equipment not placed in service within the applicable period. However, if the taxpayer qualifies for a credit in the year the eligible machinery and equipment are placed in service, the taxpayer may take the credit for that year as if no letter of commitment had been signed pursuant to this subsection."

SECTION 3.8. It is the intent of the General Assembly that the provisions of this part not be expanded. If a court of competent jurisdiction holds any provision of this part invalid, the section containing that provision is repealed. The repeal of a section of this part under this section does not affect other provisions of this part that may be given affect without the invalid provision.

SECTION 3.9. This part becomes effective for taxable years beginning on or after January 1, 2004.

PART 4. MAJOR INDUSTRIAL FACILITY SALES TAX REFUNDS

SECTION 4.1. G.S. 105-164.14 is amended by adding a new subsection to read:

"(j) Certain Industrial Facilities. – The owner of an eligible facility is allowed an annual refund of sales and use taxes as provided in this subsection.

(1) Refund. – The owner of an eligible facility is allowed an annual refund of sales and use taxes paid by it under this Article on building materials, building supplies, fixtures, and equipment that become a part of the real property of the eligible facility. Liability incurred indirectly by the owner for sales and use taxes on these items is considered tax paid by the owner. A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund is due within six months after the end of the State's fiscal year. Refunds applied for after the due date are barred.

(2) Eligibility. – A facility is eligible under this subsection if it meets both of the following conditions:

a. It is primarily engaged in one of the industries listed in this subsection.

b. The Secretary of Commerce has certified that the owner of the facility will invest at least one hundred million dollars ($100,000,000) of private funds to acquire, construct, and equip the facility in this State.

(3) Industries. – This subsection applies to the following industries:

a. Bioprocessing. Bioprocessing means biomanufacturing or processing that includes the culture of cells to make commercial products, the purification of biomolecules from cells, or the use of these molecules in manufacturing.

b. Pharmaceutical and medicine manufacturing. Pharmaceutical and medicine manufacturing means any of the following:

1. Manufacturing biological and medicinal products. For the purpose of this sub-subdivision, a biological product is a preparation that is synthesized from living organisms or their products and used medically as a diagnostic, preventive, or therapeutic agent. For the purpose of this sub-subdivision, bacteria, viruses, and their parts are considered living organisms.

2. Processing botanical drugs and herbs by grading, grinding, and milling.

3. Isolating active medicinal principals from botanical drugs and herbs.

4. Manufacturing pharmaceutical products intended for internal and external consumption in forms such as ampoules, tablets, capsules, vials, ointments, powders, solutions, and suspensions.

(4) Forfeiture. – If the owner of an eligible facility does not make the required minimum investment within five years after the first refund under this subsection with respect to the facility, the facility loses its eligibility and the owner forfeits all refunds already received under this subsection. Upon forfeiture, the owner is liable for tax under this Article equal to the amount of all past taxes refunded under this subsection, plus interest at the rate established in G.S. 105-241.1(i), computed from the date each refund was issued. The tax and interest are due 30 days after the date of the forfeiture. A person that fails to pay the tax and interest is subject to the penalties provided in G.S. 105-236."

SECTION 4.2. It is the intent of the General Assembly that the provisions of this part not be expanded. If a court of competent jurisdiction holds any provision of this part invalid, the section containing that provision is repealed. The repeal of a section of this part under this section does not affect other provisions of this part that may be given affect without the invalid provision.

SECTION 4.3. This part becomes effective January 1, 2004, and applies to sales made on or after that date.

PART 5. CIGARETTE EXPORTATION TAX CREDIT

SECTION 5.1. Section 10 of S.L. 1999-333 reads as rewritten:

"**Section 10.** Sections 2, 3, and 4 of this act are effective for taxable years beginning on or after January 1, 1999. Sections 5 through 8 of this act become effective December

1, 1999, and apply to offenses committed on or after that date. The remainder of this act is effective when it becomes law. Section 4 of this act is repealed effective for cigarettes exported on or after January 1, ~~2005.~~2018."

SECTION 5.2. This part is effective when it becomes law.

NOON

VISITOR REGISTRATION SHEET

APPROPRIATIONS II — 12-9-03

Name of Committee — Date

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[illegible]	Durham Co. Attorney
[illegible]	Durham Chamber of Commerce
Jim Fain	DOC
Michael Biesecker	N&O
Sheryl Stephens	DENR
[illegible]	Capitol Press
Stephanie McGarrah	DOC
Reid Hoffroge	DOC
[illegible]	[illegible]
Gene A. Nowak	RSR
Robert Kaylor	Visitor
Evelyn Hawthorne	EHGR
Susan Markham	NCSBA
[illegible]	JD, AL, PA.
Joanne Boyda	Electricities of NC
Joe McClure	McClure Consulting Inc
Charles Hayes	RTRD
Mike Rutkin	Durham
John Peterson	NCEDA
Richard Wiley	Duke Power / NCEDA
Dirk Conklin	Grubb & Alexander
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Ken Melton	Allen Associates, Inc.
[illegible]	NSDC
Cassie Porter	Smith Anderson

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Jen Upchurch	Progress Energy
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Lisa Perry	Capitol Group
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Stella Adams	AFAC-NCDP
Jack Cozart	Parker Poe
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Jane Pinsley	NCCAI
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Susan Markham	NC Ports
[illegible]	NCMS
Charles Hayes	AFAI
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VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE ASSISTANT

NAME	FIRM OR AGENCY
Michael Francis	PMVSD
JOE BEGGANS	"

2003-2004 Standing Committees

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